

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1981-82)**

(SEVENTH LOK SABHA)

FORTY-SECOND REPORT

on

INDIAN AIRLINES

(MINISTRY OF TOURISM AND CIVIL AVIATION)



Presented to Lok Sabha on....

Laid in Rajya Sabha on.....

**LOK SABHA SECRETARIAT
NEW DELHI,**

April, 1982/Chaitra, 1904 (S)

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CORRIGENDA

FORTY-SECOND REPORT OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (1981-82) ON
INDIAN AIRLINES

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
1	3	5	Uneconomic	Uneconomic
2	9	2	Rs.5.75	Rs.5.78
			crores	crores
7	30	1	17	27
13	53	10	amount	mount
16	10	In the table, against F-27 under B.E.L.F. (%) for the year 1980-81	12.50	125.0
21	23	5	say	stay
24	5	3	out	our
38	43	1	point	pointed
	44	2	book	booked
41	56	8	happen	happened
48	1	14	office.	officer
52	4	4	requires	requires
53	7	1	during	during
54	11	3	Thy	They
	13	6	damage	image
56	19	2	service	service
57	27	5	sound	wound

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1981-82)**

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22. ****Shri Ramanand Yadav**

SECRETARIAT

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2. **Shri T. R. Krishnamachari—*Chief Financial Committee Officer***
3. **Shri S. C. Gupta—*Senior Financial Committee Officer***

*Ceased to be a Member consequent on his appointment as Deputy Minister on 15 January, 1982.

**Ceased to be a Member consequent on his retirement from Rajya Sabha on 2 April, 1982.

STUDY GROUP I ON INDIA TOURISM DEVELOPMENT CORPORATION LTD., INDIAN AIRLINES, HINDUSTAN PHOTO FILM MFG. CO. LTD. AND CERTAIN ASPECTS OF INDIAN RARE EARTHS LTD. AND OIL COMPANIES

1. Shri K. Ramamurthy—*Convener*
2. Shri Harikesh Bahadur—*Alternate Convener*
3. Shri Hiralal R. Parmar
4. Shri R. Ramakrishnan
5. *Shri Ramanand Yadav

*Ceased to be a Member consequent on his retirement from Rajya Sabha on 2nd April, 1982.

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Forty-Second Report on Indian Airlines.

2. The Committee took evidence of the representatives of Indian Airlines on 7 and 9 November, 1981 and Ministry of Tourism and Civil Aviation on 17 and 28 November 1981. They also took evidence of the representatives of Ministry of Communications on 17 November, 1982.

3. The Committee considered and adopted the Report at their sitting held on 16 April, 1982.

4. The Committee wish to express their thanks to the Ministries of Tourism and Civil Aviation and Communications and the Indian Airlines for placing before them the material and information they wanted in connection with the examination of the subject. They also wish to thank in particular the representatives of the Ministries of Tourism and Civil Aviation and Communications and the Indian Airlines who gave evidence and placed their considered views before the Committee.

NEW DELHI;
April 20, 1982

Chaitra 30, 1904 (S)

BANSI LAL
Chairman

Committee on Public Undertakings

PART I

BACKGROUND ANALYSIS

I. WORKING RESULTS

The Indian Airlines came into existence on June 15, 1953 under Air Corporations Act, 1953 and took over with effect from August 1, 1953 the assets, liabilities and business of eight air transport companies which were till then operating scheduled internal air services. According to Section 7 of the Air Corporation Act, the functions of the Corporation is to provide safe, efficient, adequate, economic and properly coordinated air transport services and the corporation has to so exercise its powers as to secure that air transport services are developed to the best advantage and, in particular that the services are provided at reasonable charges. As per Section 9 of the Act, the Corporation is required to act as far as may be on business principles.

A. Overall Working Results

2. The Indian Airlines was last examined by the Committee on Public Undertakings (1972-73) and was reported upon in the 28th Report (Fifth Lok Sabha). The Indian Airlines increased its net profits from Rs. 1.02 crores in 1974-75 to Rs. 20.74 crores in 1976-77, but the profits earned during the next 4 years (1977-81) were Rs. 14.33 crores, Rs. 11.42 crores, (—) Rs. 2.34 crores and Rs. 2.48 crores respectively.

3. The Committee enquired the measures taken by the Corporation which had enabled it to improve its profits from Rs. 1.02 crores to Rs. 20.74 crores within a period of 2 years. The Chairman-cum-Managing Director, Indian Airlines stated in evidence, that after lockout in 1973 they were able to enforce discipline. Uneconomic services covering 17 stations were discontinued. More economical aircraft—Boeing, Caravelle were inducted into service and put on high density sectors. Cost of operation was kept to the barest minimum and several wasteful practices were cut out. In some cases food services were discontinued. These were the main reasons for increase in the profitability.

4. Asked about the reasons for fast deterioration in the working results of Indian Airlines after 1976-77, the CMD stated that during these years they entered into a new period of wage negotiations with the unions. During the period of wage negotiations, productivity was lower and discipline also deteriorated to some extent. They had to introduce certain uneconomic routes also. Further, new aircraft were bought which increased the financial burden. Finally fuel crises in 1979-80 affected the working results of the Corporation.

5. When pointed out that to compensate the increase in fuel price the Indian Airlines had increased its fares, the CMD stated :

“The first fuel price increase was in March, 1979 and the second increase was in August which was of the order of 48

percent of the previous cost and we kept on paying for this fuel from March onwards, but we increased the fares from 19th of November. During this period we lost nearly Rs. 9 crores as the difference between the high cost of fuel and the low fares. Then, of course the landing charges and navigational charges also went up. We never paid route navigational charges before and they were introduced for the first time in 1977 and the landing charges were increased by 100 percent during 1977-78. Then the fare was increased by 30 percent from 19th of November. Whenever there is a steep rise in fares, the traffic dwindles. After some time only it picks up."

6. The Committee enquired the additional revenue earned during 1979-80 and 1980-81 on account of increase in fares and the additional expenditure during these two years on account of increase in prices of aviation fuel. The Director (Finance), Indian Airlines stated that increase in fuel cost due to increase in fuel prices were about Rs. 19 crores and 37 crores and additional revenue earned due to increase in fares were Rs. 15 crores and 38 crores in 1979-80 and 1980-81 respectively.

7. Asked about the other factors which affected the working results of Indian Airlines in 1980-81, it was explained in a note that in 1980-81 there has been the shortfall in operating revenue to the extent of about Rs. 21 crores. It was anticipated that Indian Airlines would carry 6.075 million passengers. But revenue passengers carried during the year were only 5.408 million. This was due to decline in foreign tourist traffic due to disturbed political conditions in the East, increase in international fares and large increase in cost of hotel accommodation which turned away package-tours from India.

8. The Committee pointed out that even the limited profit of Rs. 2.48 crores in 1980-81 had been due to actual non-operating revenue being Rs. 8.96 crores as against the budget estimates of Rs. 2.30 crores. Asked about the break-up of non-operating revenue the Indian Airlines furnished the following details :

	(Rs. in crores)
1. Interest income	1.92
2. Net surplus of assets sold or credited	0.31
3. Foreign Exchange gained	0.95
4. Adjustment relating to previous year	5.78
	8.96

9. When the Committee pointed out that if revenue to the extent of Rs. 5.75 crores on account of adjustments relating to previous year is excluded the Indian Airlines would have actually incurred a loss in 1980-81, the Secretary of the Ministry stated in evidence :

"That is right. I agree with you."

10. The Committee desired to know the break up of profits during the last 3 years into profit from (i) passengers; (ii) cargo; (iii) charters

and (iv) international services. The Director (Finance) stated its evidence :—

“About these services that we operate we cannot segregate how much the cost goes towards the cargo service, international service, passenger traffic etc. because the cost is for the aircraft as a whole.”

11. The break up of revenue on account of each of these operations in 1980-81 was stated to be as follows :—

	(Rs. in crores)
Passengers	244.21
Freight & Excess baggage	21.22
Mail	9.96
Charters	1.90

B. Routewise Working Results

12. The Committee enquired about the route-wise working results of Indian Airlines. It was stated that of the total services operated by the Corporation nearly two third did not meet Total Operating Cost and even among these services nearly half did not meet even Direct Operating Cost. The number of routes which had not met Total Operating Cost in the last seven years was as under :

Year	Total Routes	No. of Routes not meeting T.O.C.	Deficit on Routes not meeting T.O.C. (Rs. in crores)
1974-75	93	71	15.75
1975-76	93	68	14.48
1976-77	111	77	13.02
1977-78	105	70	13.50
1978-79	114	79	16.90
1979-80	114	86	27.57
1980-81	117	91	34.93

13. The Committee desired to know the number of routes which did not meet even the direct operating cost continuously during the last three years. It was stated that 28 routes did not meet even the DOC during each of the last three years (1978-79 to 1980-81). The deficit over D.O.C. in respect of these routes was as follows :

Year		No. of Routes	Deficit over D.O.C. (Rs. in lakhs)
1978-79	Dom.	27	397.61
	Int.	1	0.28
	Total	28	397.89
1979-80	Dom.	27	590.23
	Int.	1	1.64
	Total	28	591.87
1980-81	Dom.	27	687.35
	Int.	1	9.17
	Total	28	696.52

14. Asked about the reasons for operating a large number of uneconomic routes, the CMD, Indian Airlines stated in evidence :

“Historically we inherited certain routes in 1953. When we were nationalised, barring a few routes which we discontinued after the lockout in 1974, by and large, we kept on operating majority of routes.”

15. As regards the reasons for introducing other uneconomic routes, the CMD, stated that it was done on “demands from various sides.”

16. The Corporation had opened 10 new routes during the last three years. Out of these only one service (Delhi/Lucknow/Patna/Gauhati/Imphal) was introduced on a directive received from the Government of India. The seat factor of many of these routes has been very low and in some cases it was even lower than 50%. The Committee enquired the position in regard to the profitability of each of these routes as compared to the anticipations at the time of opening of these routes. The CMD, Indian Airlines stated that preliminary studies had been carried out by them before opening up of these routes and it was expected at that time that they would meet the direct operating costs. As regards the actual working results the CMD, Indian Airlines stated “they are quite close to direct operating cost.” Asked as to why were these routes started when these were not expected to meet the total operating cost, the CMD stated :

“The difference between the direct and the total cost is the cost of aircraft financing, food cost, Traffic handling and overhead cost etc. We cannot alter it. So in any business, we would like to include the overhead cost over a large number of operations. We do that and all the industries do that.”

17. The Committee enquired whether there was any periodical review of the routes to ascertain their viability. The CMD stated “all the routes including the uneconomic ones, are reviewed each month. If any change in the operation of service is required to increase the seat or load factor, changes to the extent possible are made. In making these changes a certain period of time is allowed for the route to develop. While preparing the summer or winter schedules a further review is made and action taken to improve the economics at the time of introduction of the new schedule. While most of the routes operated by turbo-prop aircraft are losing, the routes operated by jets are gaining. The turbo-prop aircraft are deployed in the eastern region where surface transportation is inadequate and also in stations where jet cannot be operated due to the unsuitability of runway. In some of these routes even the operation of Dakotas has helped the economic growth and development of that particular region.”

18. In reply to a question, the CMD stated :

“We are operating two types of routes. One of course, is profitable route. Secondly, there are others that are not profitable but they, by and large, meet our (direct) cost and even if their load factor is 58, 59 or 57 percent, we would like to continue with them. though the break even is 70%. But if the total load factor of route is say 34%, then, we should not operate them. We should possibly tailor the capacity that we provide on a sector with the demand that we have on that sector.”

19. Asked whether this question has ever been discussed in the Board meeting the CMD stated :

"We have discussed in the Board meetings that there are certain routes categorised 'C' (routes not meeting DOC) and that they should receive subvention from the CAD Fund or under Section 34. Since we have the Secretary or Joint Secretary of the Ministry also on the Board he says 'we shall process it'."

20. It was noticed that at the meeting of Board held on 26-3-81, one of the Directors had stressed the need to segregate routes being operated in the discharge of social responsibility, from those operated in the interests of commercial/operational needs and that it should be ensured that a system existed for so evaluating the new routes so as to eliminate all possibility of subjectivity coming into it. It was stressed that management should approach Government for subsidy on routes which were operated due to considerations other than commercial.

21. The Committee enquired as to whether the Corporation did not have the powers to close down any route, the CMD, Indian Airlines stated :

"Frankly speaking, we cannot. We have to discuss with the Government, with the Ministry. We have to take their approval. I would say that though we do not operate certain routes, the Government wants us to operate certain routes."

22. On a further query by the Committee about the provision of the Air Corporations Act, under which the Corporation was required to take prior approval of Government before closing down any route, the CMD, stated "that has been the convention."

23. Asked whether there was any formal communication sent to the Ministry any time suggesting stopping of any particular service, the CMD stated : "I did not write. We discussed them. It was formal. No minutes are kept. It was a meeting with senior officials and the Government."

24. Section 34 of the Air Corporations Act provides for reimbursement of loss on the operation of any uneconomic service established, altered or continued on the directions of the Government provided there was overall loss. The Committee enquired whether there was any directive from Government in regard to operation of any of the uneconomic routes. The Indian Airlines stated that Calcutta/Port Blair route was being operated by them as advised by the Ministry of Home Affairs in March, 1976. Operations to North Eastern Region during Assam Bandh in July and November, 1980 were undertaken against written assurances from the Government. In addition Delhi/Lucknow/Patna/Gauhati/Imphal services was started from 5th January, 1981 under directive from the Government.

25. The Committee enquired whether the loss incurred by Indian Airlines on routes operated on the directive from Government had been reimbursed to them. The Indian Airlines stated that the bills for losses incurred

on Calcutta/Port Blair route operated on the advice of Ministry of Home Affairs for the years 1975-76 and 1976-77 for Rs. 26,00,182/- and Rs. 39,17,635/- respectively were raised, but payment of these bills had not been made by the Ministry so far. No bill for subsidy from 1977-78 onwards was raised as Indian Airlines introduced Boeing 737 Service on the route as a promotional measure. Provisional bills for the losses incurred on operations to North Eastern Region during Assam Bandh in July and November 1980* and operation of Delhi/Lucknow/Patna/Gauhati/Imphal service from 5th January, 1981 amounting to Rs. 0.85 crore had been raised during the year 1980-81 but the payment of these bills was awaited. (*paid in December 1981)

26. The Committee enquired whether considering the fact that 78% of the routes operated by Indian Airlines were uneconomical could it be said that the Corporation has been functioning on business principles as required under the provisions of the Air Corporations Act. The Secretary of the Ministry of Tourism & Civil Aviation stated in evidence that IAC took over a large number of existing routes when it was constituted. Certain routes which were not economical *prima facie* were operated for the purpose of providing communication facilities particularly to difficult areas, for instance, in the case of Silchar, Nagaland, Manipur, Tripura etc. Since there was no other competing Airlines, certain social obligations had come upon Indian Airlines to serve these areas.

27. The Committee pointed out that Section 34 of the Act provides for reimbursement of loss on the operation of any uneconomic service established, altered or continued on the directions of the Government provided there was overall loss. The Government had also established a Civil Aviation Development Fund to pay subvention to Indian Airlines from time to time for operating services which the Corporation would not otherwise undertake on purely commercial considerations. Asked whether this scheme under the Act was implemented, the Secretary of the Ministry stated that the scheme was followed till 1974. Though formal authorisation under Section 34 was not issued in respect of many of the routes, the reimbursement of losses was made out of CAD Fund. No payment had, however, been made from this Fund thereafter.

28. The Committee enquired whether the Ministry reviewed the uneconomic routes operated by Indian Airlines. They were informed that a review of the financial as well as on time performance of Indian Airlines was being made through the Management Information submitted by the Corporation every month. However, no detailed review of uneconomic routes was made.

C. Civil Aviation Development Fund

29. Prior to nationalisation, the private airlines were getting a rebate against customs/excise duty paid on the fuel uplifted by them. As from the date of nationalisation, this rebate was withdrawn although the pattern of operating non-remunerative services did not change. After continuous representations from Indian Airlines on this issue asking for the same rebate against customs/excise duty, as was given to the private operators, the Government constituted in 1964 a Civil Aviation Development Fund (CAD Fund) from which subsidy was to be paid to Indian Airlines.

30. The Resolution dated 17 April, 1964 issued by the then Ministry of Transport (Transport Wing) establishing the Civil Aviation Development Fund stated :—

“Under Section 9 of the Air Corporations Act, 1953 (Act No. 27 of 1953) the Indian Airlines Corporation are expected to function, as far as may be, on business principles. The Corporation had inherited a large number of routes, operated with Dakotas, the continuance of which cannot be justified on commercial considerations. Even so, the Corporation have had to continue such services, particularly in the Assam, Manipur and Tripura areas where air transport is the only means of communication. Government have been considering how best the Indian Airlines Corporation could be encouraged to extend their operations to areas, where it is desirable in the public interest to provide facilities for air travel which would not be justified on purely commercial considerations. Govt. have come to the conclusion that this objective could be achieved by constituting a special fund from which subventions could be paid to the Corporation from time to time for operating services, which the Corporation would not otherwise undertake on purely commercial considerations, but which Government may consider necessary in the interests of tourist promotion, to meet the regional requirements of a particular area, or for other considerations which may not justify a directive under Section 34 of the Air Corporation Act. It has accordingly been decided that a Fund called “The Civil Aviation Development Fund” shall be constituted with effect from 1-4-1964 with an initial grant of Rupees one crore. Further payments to the Fund would be made as required, the total payments in any financial year being limited to a sum equal to the Union Excise Duty collected on the aviation fuel and oil, consumed in the operation of international services of the Corporation during the previous financial year. The sum will be provided by the Ministry of Transport in their Budget Estimates each year and, after being voted by Parliament, credited to the Fund. The amount not expended out of the Fund in any particular year, will not lapse.

2. Payments out of the Fund will be made under sanctions issued by the Ministry of Transport and will be subject to a separate vote under the grants of the Civil Aviation Department in the Budget. The Ministry will be advised by a Committee consisting of the Secretary to Government in the Ministry of Transport as Chairman, the Financial Adviser of the Ministry of Transport and such members as Govt. may decide from time to time, as to the routes, referred to above, which the Govt. may require the Corporation to operate on payment of a subvention. Payment out of the Fund may also be made for the construction of airstrips and provision of ancillary facilities for the operation of services referred to above, which could not be fitted into the general programme of the Civil Aviation Department.”

31. The Resolution of 27 April, 1964 was followed by a letter dated 11 September, 1964 from the Ministry. It stated that the functions of the

Committee would be of an advisory character and it would consider the various requests for operation of air services and advise the Ministry of Civil Aviation as to :

(a) The services to be operated by Indian Airlines Corporation on the basis of payment of subvention from Civil Aviation Development Fund, in the interest of tourist promotion or to meet the regional requirements of particular areas, or for other considerations, which may not justify a directive under Section 34 of the Air Corporation Act, 1953.

(b) The air-strips which should be constructed and the ancillary facilities to be provided for the operation of services referred to above which could not be fitted into the general programme of Civil Aviation Department.

It was further elaborated in the aforesaid letter that in recommending air services for operation on payment or subvention from the Civil Aviation Development Fund, Committee would keep in view the following factors :—

- (i) No route which had broken even during the last three years would be eligible for consideration of payment of subvention in the event of the Corporation incurring a loss on the route subsequently, although it may be a tourist route.
- (ii) Routes which have met with their direct operating costs during the preceding three years will be treated as developmental routes which the Corporation should try to foster. In this view, they will also not be eligible for being considered for grant of subvention.
- (iii) Routes at present being operated under a subsidy arrangement with the Tourist Department of the Central Government will be eligible for subvention from the Fund.
- (iv) New routes the operation of which is considered necessary in the interests of tourist promotion or to meet the regional requirements of a particular area, or for other considerations which may not justify the issue of a directive under Section 34 of the Air Corporations Act, will also qualify for consideration for payment of subvention.

32. The Committee enquired about the excise duty on aviation fuel and oil paid by Indian Airlines and the amount of subsidy received by them. The Indian Airlines stated that as against the excise duty of Rs. 108 crores paid from 1964-65 to 1980-81, it had received only Rs. 11.30 crores towards subsidy for the operation of only a few uneconomic routes upto 1973-74. The payment of subsidy was suspended from 1974-75 without any prior notice. This was achieved by simply not calling a meeting of the CAD Fund Committee from 1975 to 1980.

33. In a letter dated 23-9-80, the Ministry of Tourism and Civil Aviation informed Indian Airlines that in view of the fact that Indian Airlines were making profit during the last several years it was not considered necessary to call a meeting of the Civil Aviation Development Fund Committee earlier. The Corporation felt that the imposition of the condition that there must be an overall loss to earn subvention from CAD Fund is improper in terms of

Section 9 of the Air Corporations Act, 1953. Thus the Corporation made a protest to the Government *vide* their letter dated 25 September, 1980.

34. The Committee enquired about the amount claimed by Indian Airlines from CAD Fund since 1974-75. The Indian Airlines informed that subvention claims for the losses from 1974-75 to 1980-81 amounting to Rs. 13.12 crores had been lodged with regard to the five routes approved by the CAD Fund Committee for 1974-75 in their meeting held on 1st November, 1980.

35. In the course of evidence of the representatives of the Ministry of Tourism and Civil Aviation the Committee enquired whether any budget provision was made for payment of subvention to Indian Airlines since 1974-75. The Ministry stated that in the years 1974-75, 1975-76 and 1976-77 budget provision of Rs. 1.90 crores, Rs. 1.90 crores and Rs. 3.00 crores respectively was made for payment to Indian Airlines. Thereafter, no such provision was made because the Finance Ministry did not accept the provisioning of this amount against this particular head.

36. Asked about the reasons for not making payment to Indian Airlines even to the extent the amount had been budgetted and voted by Parliament. The witness stated :

“The Ministry project the likely requirements in the ensuing year in the shape of Budget projections. It is provided for in the subsequent year in the Budget. The actual demand is assessed by the Committee and passed on to the Finance Ministry for detailed analysis and then the Committee resolves this amount be paid out of this Budget.”

37. The Committee enquired as to who was responsible for convening the meetings of CAD Fund Committee and why were the meetings of the Committee not held from 1975 to 1980 to consider the claims of Indian Airlines. The Secretary stated that the Secretary of the Ministry was to convene the meeting of the Committee. The Committee held 16 meetings during the period 1964 and 1974-75. Thereafter a meeting under the Chairmanship of Secretary, Ministry of Tourism & Civil Aviation was held on 7-7-76 where the representative of the Finance Ministry was also present. The requirements and the necessity of CAD Fund was discussed informally at this meeting in the context of a circular letter issued by Department of Expenditure to all Secretaries to Government on 30th August, 1974 as instructions in regard to economy in administrative and non-plan expenditure, which *inter alia* stated :

“There are provisions for specific subsidies to public undertakings for carrying out certain specific responsibilities which result in losses even though such undertakings may be earning profits or breaking even on the whole, e.g. interest subsidies to HUDCO; subsidies to SCI for the Andaman Service. Such subsidies should not be given as the public sector undertakings should take the rough with the smooth and cross-subsidise particular losses by profits elsewhere.”

38. The representative of the Finance Ministry pointed out at that meeting that the Finance Ministry was of the view that even a commercial enterprise like Indian Airlines should not hesitate to undertake promotional

avenues. The representative of Indian Airlines insisted on the subsidy being continued. But, the view was taken that since the principle of cross subsidy had been adopted virtually as a matter of policy, the question of subsidy from the CAD Fund might be reviewed.

39. Asked as to whether the matter was taken up with the Finance Ministry, the Secretary stated that from the files he found a noting dated 3-9-76 of the Deputy Secretary of the Ministry, who was ex-officio Member Secretary of the CAD Fund Committee also, which said :

“Spoken to Secretary. A Co-ordination Committee on Air Transport Policy (Pande Committee) has since been set up and this Committee has already had one sitting. It is possible that the question of the future of the CAD Fund may figure during the discussions, and some concrete picture may emerge, either to widen or restrict the scope of the Fund. Further action can be taken in the light of the decision taken. Even if no final decision with regard to the Fund is taken, Government resolution could be amended before the close of the financial year, making provision for the transfer of the amount to Indian Airlines/Air India etc. details of which could be decided later.”

40. When pointed out that *prima facie* it appeared to the Committee that it was something improper for anybody to pass such an order, putting the matter in cold storage the resolution being there, without a formal revocation or suspension, or keeping it in abeyance by the appropriate authority. The Secretary, Ministry of Tourism and Civil Aviation stated in evidence : “I would very reluctantly agree with this observation.”

41. The Committee pointed out that according to the 1964 Resolution establishing the C.A.D. Fund the functions of the C.A.D. Fund Committee were advisory and a decision on the basis of the advice was to be taken by the Ministry of Tourism and Civil Aviation. Secondly, the limited advice to be given by CAD Fund Committee was about the routes for which subvention could be given. So the C.A.D. Fund Committee was not a vetoing Committee where the Finance Ministry had a veto. If the situation had to be altered the matter should have been taken up with the Ministry of Finance. The Secretary of the Ministry stated : “this came to my notice when I took over. I felt that it should not be allowed to drift like this. I had a meeting of the Committee in which I assessed the requirement and said that Rs. 2.23 crores is required and projected it to the Finance Ministry. I wrote to the Ministry of Finance on 3rd November, 1980 stating : payments out of the Fund are made under sanctions issued by this Ministry . . . There is a total provision of Rs. 10,000 in the 1980-81 budget, for transfer to the credit of the Fund, but no corresponding debit provision exists in the budget. It has to be made to the extent of Rs. 2.23 crores.”

42. The Expenditure Secretary, vide his D.O. No. 386/SFC/80-I dated 13 November, 1980 replied as under :—

“The Civil Aviation Development Fund being in the Public Account, any payments therefrom will have an impact on the Govt's budgetary position. The proposal for the payment of subvention to the IA has, therefore, to be processed as an expenditure proposal indicating the precise nature of Govt's com-

mitment in this regard and why IA could not come up earlier with the claim and if this liability was known, why provision was not made therefor in past years. We could go in for a Supplementary Grant, if necessary later in the year for this purpose after considering these aspects."

43. The position was explained to the Expenditure Secretary vide d.o. No. G.20011/L/80-AC dated the 18th November, 1980 to make available a provision of Rs. 2.23 crores for making payment to IA pending acceptance of their other claims. The Expenditure Secretary was reminded vide d.o. of even number dated 26th November, 1980.

44. The Expenditure Secretary invited a reference to the economy instructions contained in the Department of Expenditure O.M. No. 14(24)/E(Coord)/74 dated 30th August, 1974 and expressed his inability to agree to payment out of the CAD Fund to IA for the losses incurred during the year 1974-75 for the reasons that the Corporation had disclosed profit during that year. With regard to operation of CAD Fund the Expenditure Secretary observed as under :—

"The question of operating the CAD Fund has been considered carefully by the Finance Minister, and it has been decided that the mechanism of the Fund for providing subventions will not be used. On the other hand, the Airlines will be provided budgetary support if necessary, from year to year, on the same lines as for public undertakings generally on the basis of overall financial position."

45. The matter was then taken up at the level of the Minister vide D.O. No. G. 20011/1/80-AC dated 12th October, 1981 addressed to Hon'ble Finance Minister. The Finance Minister vide his D.O. No. 1436/FM/81-VIP(I) dated 26th October, 1981 observed as under :—

"As suggested by you, the question of operating the CAD Fund has been re-examined. It appears that the only benefit of operating the fund would be the extension of subsidy to the Corporations when they incur losses on routes that they operate under government instructions. Subsidy for this purpose can be extended directly from the Budget as and when required, without recourse to the Fund. This procedure would have the merit of making the subsidy explicit and it would also be within the knowledge of Parliament."

46. The Ministry of Finance had thus agreed to payment of direct subsidy from the Budget as and when required without recourse to the CAD Fund. The exercise of identifying the routes which may be eligible for payment of subsidy in the light of the observation made by the Finance Minister was in hand. The Committee were further informed by the Secretary of the Ministry in evidence that he had put up the matter to the Minister so that he could again take it up with the Finance Minister.

47. In reply to a question the Committee were informed that the National Transport Policy Committee had recommended the abolition of the CAD Fund. To this the Ministry had taken exception and they said that they did not agree with this proposal and the Fund should continue. According to their information, the Planning Commission was taking the entire NTPC Report to the Cabinet.

48. The Committee enquired whether the Ministry would like to make the CAD Fund to be made a statutory fund just like Shipping Development Fund. The Secretary, Ministry of Tourism and Civil Aviation stated :

“When we were having difficulty with Finance on the question of CAD Fund being continued, our Minister who had knowledge of the working of the Shipping Development Fund asked me to examine this matter. I discussed this question with the Shipping Development Fund authorities. There is a slight deviation in regard to the purposes for which these two funds are there. . . I would agree with this concept. This Ministry does not control the Fund. There is a Committee, and the Committee is controlled in turn by various budgetary procedures. Therefore, I agree with the suggestion made by the hon. Member. You can make it a statutory body and give the necessary authority to the body in regard to payments; you can lay down the norms so that there is no loophole or scope for discretion; you can streamline the whole procedure; you can make it a body which can straight-away deal with the requirements and there is no need to refer to a third agency.”

D. International Services

49. The route-wise operating results of International Services operated by Indian Airlines for the years 1978-79, 1979-80 and 1980-81 are as follows :—

		(Rs. in lakhs)					
S.No.	Route	1978-79		1979-80		1980-81	
		Deficit over T.O.C.	Surplus over T.O.C.	Deficit over T.O.C.	Surplus over T.O.C.	Deficit over T.O.C.	Surplus over T.O.C.
1.	Bombay-Karachi	—	35.94	—	77.95	20.92	—
2.	Calcutta-Dacca	7.58	—	10.08	—	—	9.71
3.	Patna-Kathmandu	9.31	—	14.00	—	24.44	—
4.	Calcutta-Kathmandu	14.38	—	28.76	—	12.98	—
5.	Kathmandu—Varanasi	—	43.82	—	32.53	—	18.26
6.	Delhi-Kathmandu	—	62.58	—	53.97	—	51.74
7.	Delhi-Lahore	—	1.68	—	0.59	—	11.99
8.	Delhi-Karachi	1.93	—	18.97	—	29.79	—
9.	Delhi-Kabul	—	44.30	—	3.01	—	13.25
10.	Amritsar-Kabul (Discontinued from Aug. 79)	—	19.61	3.62	—	—	—
11.	Trivandrum—Colombo	—	18.20	—	22.06	4.89	—
12.	Trivandrum-Male	—	3.93	—	11.53	—	8.47
13.	Madras-Colombo	—	104.81	—	81.28	—	58.55
14.	Trichi-Colombo	—	9.60	—	9.60	—	10.14

50. Asked about the basis of fixation of international fares, the Indian Airlines stated in a note that the International Fares were fixed on the basis of comparative operating costs of the carriers operating a particular route, and the market conditions. These fares were negotiated by the interested carriers and adopted in an IATA Tariff Coordinating Conference. These fares were, then, filed with the Government of India and other concerned governments and were implemented after being approved by the Governments.

51. The Committee enquired the reasons for operating Delhi-Karachi flight on which Indian Airlines had incurred the highest loss. They were informed that they introduced this flight in 1976 but it had not picked up right from the beginning. According to Indian Airlines the flight had been continued for competitive advantage because they were operating from Bombay to Karachi also and the passengers coming from Karachi to Delhi were also eligible to travel on domestic network. It was to keep the airline on the map of the international competitive sector that this was still kept.

52. It was noticed that Indian Airlines had pooling arrangements with all the countries to which it operated its service except Afghanistan and Bangladesh. Under the bilateral agreement with Afghanistan while Ariana Airlines was operating three services, Indian Airlines was operating only 2 services. The Committee desired to know the number of passengers carried to and from India by Ariana Afghan Airlines and Indian Airlines during each of the last three years. The Indian Airlines in a note furnished the following data in this regard :

	Delhi/Kabul		Kabul/Delhi	
	IC	FG	IC	FG
Jan. 78 to Dec. 78	10255	10354	6177	10707
Jan. 79 to Dec. 79	4902	10597	6240	13750
Jan. 80 to Dec. 80	3744	8231	3579	9756
	Amritsar/Kabul		Kabul/Amritsar	
Jan. 78 to Dec. 78	1852	2670	3103	3516
Jan. 79 to Dec. 79	366	2369	998	2822
Jan. 80 to Dec. 80	Nil	1985	Nil	1263

53. Asked as to what were the reasons for this disparity in the number of flights and the passengers carried by I.A. and Afghan Airlines the Corporation in a note stated that due to the present political situation in Afghanistan, the traffic had tremendously decreased on this route and Indian Airlines lost on the flights operated to Afghanistan. Under these circumstances to avoid losses Indian Airlines had withdrawn its flight between Amritsar and Kabul and had reduced services between Delhi and Kabul. The two frequencies were being operated to maintain link between the two countries. Should the demand increase, Indian Airlines had the aircraft capacity to amount additional frequencies.

II. COST OF OPERATIONS

A. Cost Structure

The following table shows the financial data for the last five years :
(Rupees in crores)

	1976-77	1977-78	1978-79	1979-80	1980-81
(i) Operating Revenue	127.52	150.68	182.69	205.05	286.15
(ii) Operating Expenses (Operating Ratio)	107.35 (84.18)	127.96 (84.92)	155.92 (85.34)	191.40 (93.34)	265.55 (92.80)
(iii) Operating Surplus/ (Deficit)	20.17	22.72	26.77	13.65	20.60
(iv) Non-operating Revenue	5.33	1.68	1.50	2.63	8.96
(v) Gross Surplus/ (Deficit)	25.50	24.40	28.27	16.28	29.56
(vi) Non-Operating Expenses	4.76	10.07	16.85	18.62	27.08
(viii) Net Surplus/ (Deficit)	20.74	14.33	11.42	(—) 2.34	2.48

It would be seen from the above table that the operating ratio had gone up from 84.18 in 1976-77 to 93.34 in 1979-80 and was 92.80 in 1980-81.

2. The Costs of operations per ATKm. both direct and total cost from 1976-77 were as follows :—

Year	(In Rs.)	
	Direct cost per ATKm	Total cost per ATKm
1976-77	1.90	2.83
1977-78	1.87	2.84
1978-79	1.94	3.02
1979-80	2.29	3.51
1980-81	3.02	4.34

3. In regard to increase in total cost per ATKm from Rs. 2.83 in 1976-77 to Rs. 4.34 in 1980-81 the Indian Airlines stated that the major reasons for increase in costs during 1977-78 was the doubling of landing charges levied by the airports and a fresh levy of route navigation charges on the domestic flights. Both these implied an additional expenditure of Rs. 7 crores per annum. The increase in costs during 1979-80 was mainly due to rise in fuel prices by 48.5% w.e.f. 17th August, 1979. There was increase in landing rates by IAAI effective 1st April, 1980 (15%) and by DGCA effective 23rd August, 1980 by 87% on international flights and by 38% on domestic flights. Further, the price of fuel was increased by 48.4% w.e.f. 8th June, 1980, and again by 9.6% w.e.f. 13th January, 1981. Both these increases in fuel price had put an aggregate burden of over Rs. 40 crores during 1980-81.

4. In reply to a question, the CMD, Indian Airlines stated that the increase in sales tax had resulted in higher cost of operations. Elaborating it, he stated :

“Sales Tax is based on advalorem. With fuel price going up by 25% on an average every six months, sales tax also is going up. We have protested and written to the States that the sales tax payable should be fixed at the 1974-75 level, when prices started going up. The only response we got was from Maharashtra, who agreed and they are continuing with the 1975 level. The other States say that the matter is still under their consideration. We feel that this should be done.”

B. Capacity Utilisations

5. The present fleet of Indian Airlines (type-wise) and passenger capacity of each are as under :—

Present Fleet	Capacity (Seats)	No.	Remarks
Airbus A 300B2	278	8	
B-737	126	19	One on lease to IAF.
HS-748	48	14	One aircraft met with an accident on 16-6-81 and is beyond economical repairs.
F-27	40	8	One aircraft on lease to M/s. Vayudoot Pvt. Ltd.

6. According to Indian Airlines, the production in Indian Airlines is measured in terms of Available Tonne Kilometres (ATKms.) arrived at by multiplying the payload capacity in tonnes available on each flight by the distance flown in kilometres. The utilisation of capacity in relation to production is measured in terms of Revenue Tonne Kilometres (RTKms.), arrived at by multiplying the actual traffic carried in tonnes on each flight by the distance in Kilometres.

7. The following table shows the capacity provided (ATKms.), Capacity utilised (RTKms.) and number of passengers carried by Indian Airlines from 1976-77 to 1980-81 :

	1976-77	1977-78	1978-79	1979-80	1980-81
1. Capacity provided (Available Tonne Kilometres in Millions)	393.700	480.934	558.818	586.023	663.899
2. Capacity utilised (Revenue Tonne Kilometres in millions)	277.524	324.958	390.964	398.558	420.228
3. Overall load Factor (%)	70.5	67.6	70.0	68.0	63.3
4. Number of Passengers (in million)	3.807	4.373	5.326	5.383	5.467
5. Passenger load Factor (%)	70.9	70.5	73.3	73.4	66.9

8. The average aircraft utilisation per aircraft per annum (total hours) for all types of aircraft during 1976-77 to 1980-81 was as under :—

	1976-77	1977-78	1978-79	1979-80	1980-81
A 300 B2	2,530	2,777	2,807	2,622	2,531
Boeing-737	2,919	2,771	2,823	2,870	2,759
Caravelle	2,485	1,738	1,185	2,195	—
Viscount	591	1,283	—	—	—
Friendship	2,583	2,355	2,362	2,288	2,086
HS-748	2,683	2,824	2,672	2,471	2,248
Dakota	102	—	—	—	—
All types	2,551	2,649	2,614	2,574	2,441

9. The Committee enquired the reasons for the lowest utilisation of all types of aircraft in 1980-81 since 1977-78 and the steps taken by Indian Airlines to increase the capacity utilisation of the existing aircraft. The Indian Airlines stated that the greatest bottleneck in increasing the capacity utilisation was the meteoric escalation of fuel costs. There was also a decline in foreign tourist traffic during the year 1980-81 due to disturbed political conditions in the East and increases in cost of hotel accommodation in India which turned away package tours from India. Extensive marketing efforts were being made with a view to reverse the effect of the adverse influences. A Marketing Cell under a Senior Commercial Officer had been set up at Headquarters and in Regions. This cell continuously monitored load factors, conducts marketing surveys and devises strategies and techniques to intensify sales and augment revenues.

C. Uneconomic Aircraft

10. The Corporation has four types of aircraft namely Airbus, Boeing 737, F-27 and HS-748. The Break-even Load Factors (B.E.L.F.) and actual Load Factors (L.F.) of each type of aircraft for the years 1977-78 to 1980-81 were as follows :—

	1977-78		1978-79		1979-80		1980-81	
	BELF (%)	LF (%)	BELF (%)	LF (%)	BELF (%)	LF (%)	BELF (%)	LF (%)
Airbus	53.6	63.3	59.4	67.2	59.7	66.0	59.3	61.6
Boeing 737]	57.9	69.8	62.2	71.4	69.8	69.4	66.1	64.8
Caravelle]	95.6	79.9	109.8	83.6	126.2	88.6	—	—
Viscount]	138.3	69.4	—	—	—	—	—	—
F-27	106.1	60.8	131.3	64.0	146.0	65.7	12.50	60.7
HS-748	93.9	71.1	104.7	75.6	123.6	76.7	111.0	69.9

(The Break-even Load Factor' of each aircraft type is determined as its cost per available Tonne Kilometre as a percentage of the network yield per Revenue Tonne Kilometre)

11. The Committee enquired the reasons for continuing the operation with uneconomic aircraft whose break even load factor was over 100%. The Indian Airlines stated that a bulk of the trunk capacity was provided by the Airbus whereas a bulk of the regional capacity was provided by the Boeing 737s. The two turbo-prop aircraft types were primarily being used on sectors where the jets cannot operate or where the traffic demand did not justify the operation of a large aircraft.

12. Asked as to whether the Indian Airlines were able to recover at least the direct cost in respect of HS-748 and F-27 aircraft, the Indian Airlines in a note furnished the following statement of economics of aircraft (type-wise).

Type of Aircraft	Direct Operating Cost per hr.	Total Cost per hour	Traffic Revenue per hr.
	(Rs.)	(Rs)	(Rs)
Airbus			
1978-79 . . .	28,420	51,679	58,512
1979-80 . . .	33,761	58,994	65,229
1980-81 . . .	49,205	76,366	79,335
B-737			
1978-79 . . .	11,806	17,783	20,560
1979-80 . . .	15,329	22,385	22,269
1980-81 . . .	20,545	28,455	27,890
F-27			
1978-79 . . .	4,278	5,550	2,707
1979-80 . . .	5,176	6,746	3,036
1980-81 . . .	6,598	8,544	4,149
HS-748			
1978-79 . . .	4,092	5,690	4,109
1979-80 . . .	5,212	7,139	4,429
1980-81 . . .	6,859	8,867	5,587

13. The Committee desired to know whether the Corporation had made any proposal to Government for phasing out the uneconomic turbo-prop aircraft fleet. The CMD, Indian Airlines stated in evidence :

“We submitted our phased programme of turbo-prop aircraft on the 8th August, 1980 and the Board approved it on the 30th July, 1981. On 5th August, we requested the Government to approve the phase out programme and accord permission to sell the turbo-prop fleet.”

14. In this connection, the Ministry stated in a note that what was pending with the Government was the approval to Indian Airlines to sell 2 F-27 aircraft grounded by them. The matter had been examined in the context of requirement of aircraft for Vayudoot and a decision would be taken shortly. The Ministry also stated that Indian Airlines presently had got 20 Turbo-prop aircraft (12 Avro and 8F.27) With the acquisition of 4 Boeing and 2 Airbus aircraft in 1982, Indian Airlines would be phasing out all Turbo-prop aircraft except 8.

D. Damage Due to Bird Hits

15. The Committee enquired about the number of bird strikes to various aircraft and the expenses incurred on repairs to these aircraft during each of the last three years. In a note the Indian Airlines furnished the follow-

ing information in regard to number of bird strikes from the year 1978 to 1981 :

Year	Bird strikes
1978	105
1979	114
1980	134
1981	110

(upto 24th Oct.)

16. The cost of repairs on account of grounding of aircraft for repairs during the years 1978-79, 1979-80 and 1980-81 (upto October, 1981) were Rs. 1.52 crores, Rs. 0.243 crores and Rs. 0.148 crores respectively. These cost of repairs represented only the cost of Material and Labour on repairs it did not include the following :

- (a) loss of revenue on account of grounding of aircraft for repairs;
- (b) Cost of ferrying the aircraft; and
- (c) Cost of hotel accommodation, meals etc. provided to passengers of delayed/disrupted flights.

17. The Committee enquired the measures taken/suggested by Indian Airlines to minimise this menace. The Ministry of Tourism and Civil Aviation in a note furnished the following details of measures suggested by Indian Airlines to minimise Bird-hits and action taken thereon :

- (a) The devices commonly used in most of the countries to scare birds include use of fire crackers, rockets, flares, plastic scare hawks etc. The I.A.A.I. have taken action for use of gun shots and crackers to scare away birds concentration. 50,000 Bird Fright Cartridges have been permitted to be imported from Australia for the purpose.
- (b) According to Indian Airlines keeping the area adjacent to the runway and tarmac free from large insects and rodents which attract birds was very essential since cutting the grass and killing the insects by spraying insecticides costs a lot of money. The grass should preferably be burnt on both sides of the runway. The Airports Authority have already directed the Airport Directors stipulating that grass and bushes on the sides of the runway should be cut to ensure that small animals do not find shelter therein. Necessary foreign exchange for importing grass cutters have been sanctioned.
- (c) To clear insects which collect around runway lights, the Airport Directors have been informed that the runway/apron/hanger lights attract large number of insects and that these areas must be cleaned with the help of mechanical sweepers and manually before day-break.
- (d) Indian Airlines also suggested shooting and trapping of birds and using bird distress, sound recorded tapes. Directions have been given to shoot birds frequently to discourage their pre-

sence at airports. However, using Bird distress Sound Recorded Tapes has not been tried.

- (e) The suggestion of Indian Airlines to use trained falcons to chase other birds has not been tried.
- (f) For controlling disposal of food waste at the apron and other areas in the vicinity of airports Indian Airlines suggested that this could be achieved by dividing airport areas into zones and the responsibility given to various parties to ensure that the zones are kept clear of food articles. Instructions exist that the rubbish and garbage dumps at airports shall be covered to ensure that it is not exposed to attract birds and arrangement are also made for quick disposal/removal. All the airlines and caterers have been suitably advised to instruct the catering staff not to throw the food stuff on the apron and other operational areas.
- (g) Indian Airlines suggested for approaching the Municipality concerned for keeping the area within 10 Kms. radius of the airport free from slaughter houses and garbage disposal points. In September, 1974, a new rule has been added to the Aircraft Rules, 1937, reading as follows :

“No person shall slaughter or flay any animal or deposit or drop any rubbish, filth, garbage or any other polluted or obnoxious matter which attracts or is likely to attract vultures or other birds and animals within a radius of ten kilometer from the aerodrome reference points except in accordance with and subject to the terms and conditions of a permission in writing issued by the Director-General or a Deputy Director General or any other officer authorised by the Central Government in this behalf.”

18. The Committee were also informed that Indian Airlines had a meeting with D.G.C.A. regarding efficient handling of bird menance problem on 13-11-81 and a joint plan was chalked out. The five point action plan that has been drawn was as under :—

- (i) Indian Airlines have provided statistical information to the airport authorities for the last five years to indicate the bird strike prone airfields and the bird strike prone months for those airfields.
- (ii) The authorities concerned have been advised to burn the grass on both sides of the runway.
- (iii) Since one spray of insecticide on both sides of the runway costs about Rs. 12,000/- the authorities would consult I.A. as to when to spray and to what extent to spray on those airfields where grass has not been burnt.
- (iv) Indian Airlines are going to hire shikaris on a retainer basis on some of the selected airfields to shoot down the birds hovering around the runway.
- (v) Review will be made of the impact these measures would have during a quarterly meeting which will be held between I.A and the DGCA/IAAI/IAF.

E. Staff Costs

19. The number of employees (technical and non-technical separately) for the years 1974-75 to 1980-81 was as under :

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Tech.	3563	3436	3251	3299	3473	3605	3812
Non-Tech.	11690	11497	11677	11818	12566	13272	14113
Total	15253	14932	14928	15117	16039	16877	17925
Total emoluments inclusive of overtime (Rs. in lakhs)	2112.35	2452.30	2482.55	2540.50	3281.33	3547.22	3903.56

20. The Committee enquired about the number of cabin crew per 100 passengers carried by Indian Airlines and how did it compare with that of airlines in other countries on their internal flights. The CMD, Indian Airlines stated that there was a stipulation from the air safety authorities that there must be a minimum cabin-crew carried for each type of aircraft. The minimum cabin-crew stipulated for Airbus, B-737 and Turbo-prop aircraft was 6, 3 and 1 respectively. These numbers were modified in the light of food services that they provide and the sectors that they had to operate.

Elaborating, the witness stated :

“For instance, if the sector is Delhi-Bombay, we have calculated that on the Airbus instead of 6 which is the minimum we shall carry 8. In the Boeing instead of 3 we will carry 4. When we discontinued food in 1973-74 we went back to the minimum. When we continued food again, we increased the number.

What is the criteria with the other airlines—we do not have this information. It will vary from service to service and class to class, whether it is First Class or the Economy Class, what is the duration of the flight, etc. If the duration of the flight is 4 hours, it is a different story. If we have to serve full meal in the Delhi to Srinagar flight we will carry more than the normal compliment. We have to carry 1 or 2 extra in that particular flight in case a full meal service is to be provided.”

21. Asked as to what was the break-up of the amount paid for crew hotel accommodation into the amount paid to public sector hotels and private hotels, the Corporation in a note furnished the following statement in regard to the year 1980-81 :

	(Rs. in lakhs)
1. State & Central Government including Public Sector Undertaking Hotels	7.36
2. I.T.D.C. Hotels	51.22
3. Private Hotels	68.11
Total	126.69

22. The Committee enquired the reasons for Indian Airlines crew staying at private hotels at some places, while public sector hotel facilities were available at these places. The CMD, Indian Airlines stated that at Bombay they were staying at both the private as well as public sector hotels but in Calcutta they were not willing to stay in I.T.D.C. Hotel (Hotel Airport). At Trivandrum, they were staying at Kovalam Beach Resort at one time, but they found their services to be most unsatisfactory. Another reasons for not staying at Kovalam Beach Resort was stated to be that the hotel was quite far off from the airport.

23. Asked as to why the crew were not willing to stay at Hotel Airport at Calcutta, the CMD stated :

“They say they would like to go to the cities where they expect to have relaxation and rest. They got bored at Calcutta Airport after staying for 24 hours. Hence they want to stay in the city where they can have some relaxation. They can meet some friends and come back.”

24. In the course of examination of the Ministry, the Committee pointed out that according to Indian Airlines, the flying crew were not staying at Kovalam Beach Resort because it was far off from the airport. On the other hand, they were not staying at Airport Hotel, Calcutta which was very near to the Airport and instead were staying at a private hotel which was far away. The Secretary of the Ministry stated :—

“We took up this matter with the Indian Airlines and they took the plea that the pilots are at liberty to choose their place of residence. But we again said that there was a lack of logic. The same logic should apply there also. I have requested the Indian Airlines Chairman to persuade the pilots to make use of the public sector facilities.”

25. The Committee were informed subsequently by I.T.D.C. that ‘the latest position is that 7 cabin crew are staying over there (Airport Hotel) and the cabin and the rest of the Airlines staff stay in the Grand Hotel in the city.’

26. As regards Trivandrum the Ministry informed that in the present schedule there was no provision of night halt at Trivandrum in respect of flying crew. The Ministry would continue to press the Indian Airlines to get the pilots to make use of the I.T.D.C. hotels as far as possible.

27. Subsequently in a note, the Ministry stated that as a matter of incentive the ITDC had offered a rebate of 20% to Public Sector Undertakings executives when travelling on duty or on leave and staying in its hotels, travellers lodges etc. They had also furnished copies of communication dated 22-10-1981 issued by I.T.D.C. to the Standing Conference of Public Enterprises and of the circular dated 3-11-1981 to all Chief Executives of Public Enterprises by Standing Conference of Public Enterprises. From this circular, it was noted that the following incentives had been given by the I.T.D.C. :—

(i) 20% discount on room rent.

- (ii) Additional discount of 18 percent by selected hotels of ITDC which will be notified by their Marketing Division from time to time; applicable for summer season from April to September. For this bookings would have to be done direct with the hotels and the bills would have to be settled within 15 days of the receipt by the undertakings.
- (iii) ITDC would issue credit cards for a few senior officers of each undertaking as recommended by the Chief Executive concerned.

F. Agency System

28. Indian Airlines has appointed passenger Sales Agents and Cargo Sales agents in India as well as in the neighbouring countries to which Indian Airlines operates. The total booking agency commission paid during 1980-81 was Rs. 10.67 crores.

29. When enquired about the number of stations where Indian Airlines had appointed agents besides having their own offices and the reasons therefor, the Indian Airlines stated that they had a total of 71 on-line stations including 8 in the neighbouring countries and they had appointed agents at 25 stations in India. A large number of agents had been appointed at the metro towns of Bombay, Calcutta, Delhi, Madras and Bangalore, in view of the spread of these cities and the consequent need to provide more sales outlets for convenience of passengers/cargo shippers. At the other stations in India, appointments had been made keeping in view the increase in volume of traffic due to deployment of bigger aircraft and increase in frequency. It had been considered financially advantageous to appoint agents at such places to cope with increased volume of business instead of augmenting our own sales outlets.

30. Asked as to whether the question of having common agents both for Air India and Indian Airlines was considered, the Corporation stated :—

“In the metropolitan cities of Bombay, Calcutta, Delhi and Madras, Indian Airlines appoints only agents who are members of the International Air Transport Association (IATA). At other stations also many of the agents appointed by Indian Airlines, are IATA members. All IATA approved agents are Agents of Air India. Thus the vast majority of Indian Airlines Agents are also Agents of Air India.”

31. The Committee wanted to know as to whether the question of appointing ITDC as agent of Indian Airlines had been considered. The Indian Airlines stated that at present Indian Airlines was not considering appointing any new agents within India and was trying to improve its direct sales. As and when IA considers appointing fresh agents within India, their case would also be considered.

32. The Committee enquired from the Ministry also whether there were any difficulties in appointing ITDC as sales agent of Indian Airlines. It was stated in a note that Government did not see any objection in Indian Airlines appointing ITDC as Travel Agent, in addition to the existing arrangements with other Agents.

III. TARIFF STRUCTURES

A. Fare Structure

In September, 1955 the Air Transport Council (ATC) was requested by the Government to study the fares and to draw up a set of principles to serve as basis for determination of fares. The fares were fixed in accordance with the recommendations of A.T.C. with effect from 15th June, 1958 on a uniform basis. The A.T.C. allowed a variation in the fare by upto $\pm 15\%$ in view of market conditions, routes characteristics and operating requirements. Government have approved certain percentage of increase from time to time based on the type of aircraft as also different increases for different sectors. Recently following increase in the price of petroleum products there was increase in passenger fares by 30% w.e.f. 19th Nov. 1979. A levy by way of fuel surcharge @ 25% on fares upto Rs. 350/- and @ 20% on fares above Rs. 350/- was imposed in June, 1980, which was revised to a uniform 25% on all fares in January, 1981. In August, 1981, basic fares were increased by 5% and fuel surcharges was revised to 32%.

B. Freight Structure

2. In regard to Cargo rates it has been stated that the basic cargo rates at 1:1% of the economy class fare was recommended by the Air Transport Council and approved by the Government of India. The Air Transport Council recommended that in the absence of any other rationale, the basic cargo rate should be equated to the passenger fare taking weight of a passenger with his baggage as 200 lbs. On conversion into the metric system in kilograms, it works out to 1.1% of the economy class fare *i.e.* 1 k.g. equivalent to 2.2 lbs. The Air Transport Council had also recommended that keeping in view the need to promote cargo, the Corporation can give discount upto 90% on the Eastern Region and 70% on the rest of the routes. Accordingly, Indian Airlines has filed a number of bulk and commodity rates on its various routes giving discounts upto 70%. According to the Corporation bulk and commodity discounted rates on routes where sufficient capacity is available augments Indian Airlines overall resources and adds to its overall profitability.

3. Asked about the basis of fixation of international Cargo rates by Indian Airlines and how did it compare with that of Air India, the Indian Airlines stated that Indian Airlines and Air India were both members of I.A.T.A. and the fixation of international cargo rates was similar on both the airlines. The freight rates were discussed and agreed in I.A.T.A. meetings and applied after approval of the Government. International Cargo rates of Indian Airlines services had increased five times by 34% between 1-5-79 and 11-12-80.

4. The Committee enquired as to who decided about the discounts on carrying cargo. The representative of Indian Airlines stated in evidence that based on the broad principles given by the Council and based on the recommendation of the Station Manager, the quantum of discount was decided by the Headquarters. The Commercial Director and the Director Finance had been empowered by the Board for it.

5. The Committee enquired whether the economics of carrying passen-

gers vis-a-vis Cargo had been worked out. The CMD, Indian Airlines stated "In all domestic flights passenger earnings is more profitable than cargo earnings. All out equipments are purchased on the basis of passenger requirements. We schedule aircraft on the basis of passenger traffic demand and the quantum of cargo and mail depends upon whatever space is available to use in the aircraft."

6. Asked about the rates fixed for carrying mail, it was stated that mail had a uniform rate of Rs. 7/- per RT kilometre which was fixed last year after discussion with the P&T Department. The rates were being reviewed every year. The rates for carrying mails were not linked with postal rates. The Committee enquired whether it was profitable to carry mails. The CMD stated; "It is profitable because the aircraft operates in any case whether the mail is there or not. So whatever comes by way of mail is an additional income."

7. The Committee enquired whether while fixing the rate for carrying the mail, P&T assured the minimum quantity of mail. The representatives of Indian Airlines stated that the P&T Department was not prepared to have that type of arrangement. But they would see whether they could get it tied up with certain minimum quantity of mail.

8. The Committee enquired from the Ministry whether they reviewed the profitability of various operations of Indian Airlines namely passengers, cargo charters and international services with a view to *inter-alia* altering the rate structure in a manner that would ensure adequate return to the Indian Airlines consistent with efficient and economic service. The Ministry of Tourism and Civil Aviation stated in a note that Indian Airlines was operating purely passenger services as different from all-freighters. The passengers fares had been fixed in relation to the cost of operation in 1958 by the ATC. Revenues on cargo and mail were purely incidental to operation of passenger services. Subsequent to fixing these rates, as and when, there was sizeable increase in the cost of operation consequent on hike in fuel prices, etc., such increase had been sanctioned by the Govt. after examining the operational costs.

9. Asked whether it was not the time to have a fresh review and to evolve a scientific rate structure, the Ministry stated that this would be considered and if necessary we could set up another, Air Transport Council to review and evolve a scientific fare structure having regard to the various new factors that have emerged.

C. Promotional Fares

10. The Committee enquired about concessional fares introduced by Indian Airlines and the justification for them. The Indian Airlines stated that several discounted fares offering discounts upto 50% had been introduced by Indian Airlines with an objective of promoting traffic, generation of additional business and improvement in revenue. The special discounted fares introduced and the year of their introduction were as follows :--

	Year
(i) Student discount	1956
(ii) Common interest Group discount	1960
(iii) Teachers discount	1968
(iv) Srinagar Winter Group discount	Dec. 1970
(v) Youth Fare	1974

(vi) Discover India Scheme	1974
(vii) Ship's Crew Discount	1975
(viii) TC-345 Day Excursion	1975
(ix) South India Excursion Fares	1976
(x) Airlines/IATA Employee Discount	Jan., 1978
(xi) Indo-Nepal Excursion Fares	1979
(xii) Leh Excursion Fares	May, 1980
(xiii) Calcut a/Port Blair Family Fare	Oct., 1980
(xiv) 30 day round trip discount	1-1-81
(xv) Tour Conductors Rebate	1981
(xvi) Domestic package tours	1-4-81
(xvii) Family Leave Travel	April, 1981

11. The Committee desired to know the number of people who, had availed of these concessions under each category. The Commercial Manager, Indian Airlines stated in evidence :

"Actually to do the data processing manually, we had devised a special type of ticket in which we had put 8 or 9 categories of concessions which we give. We instructed the staff to tick that item of concession, which a person is availing of. If this is processed through the computer, we will have an idea as to how many people have availed of the concessions. On an experimental basis we had done it for a month."

12. As regards results obtained it was stated that the feed back was that about 4 to 5% of total traffic availed of these concessions and out of this 2.4% and 1% availed of Leave Travel Concession and student concession respectively.

13. The Committee enquired whether L.T.C. concession was available on all routes throughout the year. The representative of Indian Airlines stated :

"This concession is given only in the lean season and when we have seats available. Now from 15th November, we have withdrawn this concession for Delhi-Bombay route.* We make the study and keep observations as to where and when this concession should be kept and where it should be withdrawn. Similarly, we have withdrawn this concession for Delhi-Kathmandu-Delhi. But we have retained the concession for Calcutta-Kathmandu because the local traffic need this promotional measure. In the next season it is only subject to availability of capacity. The concession would be introduced in the manner which can give more revenue to the Corporation."

14. The Committee enquired whether even the limited increase in traffic on account of introduction of concessional fares did not mean to that extent a loss of traffic to the Railways and whether the offering of these concessions really served any national objective. The CMD, Indian Airlines stated in evidence :

* At the time of factual verification, Indian Airlines intimated that the concession has been withdrawn on all routes.

"The fares on the IAC can only be compared at best with the air-conditioned fares of railways. The concessions offered by the Indian Airlines still do not attract passengers, who are normally using railways in lower class. The capacity provided in the railways for first class air-conditioned travel is limited. So, our promotional fares in no way cause any loss to the railway traffic."

15. The Committee desired to know the loss of revenue on account of each of these concessional fares during the last three years, the CMD, Indian Airlines stated in evidence :

"Sir, I can put the same question in this way. What is the total gain on account of concessions. The concessions are always encouraging public to travel and we have developed these concessions for generating additional traffic. These are for a class of people who would not have normally travelled by air just like LTC."

16. In this connection it was noticed that in a letter dated 27th November, 1975, the Indian Airlines had informed the Ministry of Tourism and Civil Aviation as follows :—

"With a view to promoting tourism, or for other considerations, various units of the Government ask Indian Airlines to introduce subsidised fares over certain sectors. For example, 'Discover India' and 'Youth Fares' have been introduced, the 'Gulmarg Package' has been in existence for sometime and there is also a 'Srinagar Package'. All these fares have been developed either to improve tourism or in interests of regional development. Indian Airlines is so short of capacity that the introduction of such fares does not really add to the traffic carried by it. On the contrary, these concessions reduce its revenues."

17. In addition to promotional fares non-commercial discounted fares have also been introduced by Indian Airlines. According to Indian Airlines these discounts are offered to certain sections of society by way of a facility with a view to fulfil social obligations entrusted upon them by virtue of being the domestic national carrier. These fares were not intended to result in better economics/profit. These non-commercial discounts included discount for Armed Forces, Blind persons, Cancer patients, Gorkha personnel of Indian Defence Services and employee of Government of India Missions abroad. Out of these discounts for Gorkha personnel of Indian Defence Services and for employees of Government of India Missions abroad were at the directive of Government.

18. The Committee wanted to know whether the promotional fares and non-commercial discounts were reviewed by the Board of Indian Airlines with a view to ascertaining the effect of introducing each of these on traffic and revenue of Indian Airlines. They were informed that these were discussed in 166th Meeting of the Board held on 12th February, 1981. According to the minutes of the meeting one of the Members of the Board was of the view that the concessions offered by Indian Airlines should be categorised into two categories viz. the promotional concessions

and those which fulfilled its social obligations. The concessions given on social consideration should be compensated by the Government. The Board agreed with these views.

19. The Committee enquired as to what was the break-up of traffic into various groups, the representative of Indian Airlines stated in evidence that the break-up of traffic was as follows :—62% on business account, 25% foreign tourists, 5% Government traffic and the balance individuals.*

20. Since the inception of the Corporation increases in fares and freight rates have been effected with the prior approval of the Government. The Committee enquired from the Ministry whether their approval had been obtained for the introduction of each of these concessional fares. It was stated in a note that for introduction of promotional fares, Government's approval was not sought for by Indian Airlines except for introduction of family L.T.C. and domestic package tour fares introduced by Indian Airlines with effect from 1-4-81. All non-commercial discounted fares had been introduced with the approval of Government.

21. Asked whether there was any review by the Ministry of these promotional fares it was stated that introduction of promotional fares was with a view to get traffic as well as to promote new routes. The tenure of these fares was of short duration. In view of this no review by the Ministry was considered necessary.

22. The Committee wanted to know as to whether the Government should not reimburse the loss suffered by Indian Airlines on all non-commercial discounted fares introduced with the approval of Government, the Ministry of Tourism and Civil Aviation stated that Indian Airlines being a public sector undertaking under the government they had certain social obligations to discharge. Government did not consider it necessary to reimburse Indian Airlines for losses suffered on all such non-commercial discounted fares.

* At the time of factual verification, Indian Airlines intimated the position as follows :

Business Account—60%

Foreign Tourists—20%

Government and

Public Sector Traffic—10%

IV. QUALITY OF SERVICE

A. Punctuality of Service

The following statement shows the analysis of delays and cancellations of Indian Airlines flights for the years 1979, 1980 and 1981.

Year	1979	1980	1981 (upto June)
TAKE-OFFS	87105	85781	44804
	Delay rate per 100 and cancellations	Take-Off on account	of delays
GROUP 'A'			
Commercial	0.86	0.49	0.46
Operations	0.13	0.09	0.09
A/c Maint.	2.49	1.70	1.42
Ground Support	0.11	0.11	0.12
TOTAL GROUP 'A'	3.59	2.39	2.09
GROUP 'B'			
Weather	1.62	1.48	1.81
Airport Facilities	0.70	0.31	0.33
Miscellaneous	1.13	1.03	0.75
TOTAL GROUP 'B'	3.45	2.82	2.89
TOTAL PRIMARY (A+B)	7.04	5.21	4.98
GROUP 'C'			
Consequential	23.11	16.37	16.23
TOTAL (AB&C)	30.15	21.57	21.21

2. The Committee desired to know the measures adopted by the Corporation to avoid the inconvenience to the passengers, on account of delays/cancellations of flights. The Indian Airlines in a note stated that delays and cancellations could be categorised into three groups i.e. (a) group comprising break-up of delays and cancellations which are within the control of the Corporation, (b) group consisting of delays and cancellations due to factors outside the control of the Corporation, such as weather, connected with airport facilities, miscellaneous security such as bomb scare, bird-hits etc. and (c) consequential. Consequential delays mean those delays which, as a result of a primary delay at any one of the preceding stations, have a multiplying effect as Indian Airlines' one aircraft operates several sectors in the day with no margin at transit/stops to make up such delays.

3. In order to bring about punctuality in the schedule of flights, the Corporation had a standing procedure with a view to ensuring that the delays were minimised, without however, sacrificing, in any way, the

requisite standards of maintenance and flight safety. Towards this end, the following steps were being taken on a continuing basis :—

- (a) Daily/Weekly meetings of Departmental Heads are held in each Region to examine the causes of delays and decide the nature of remedial actions to be taken to prevent the recurrence of any avoidable/consequential delays.
- (b) All engineering delays of over 30 minutes are investigated by the Regional Engineering Department along with the representatives of the Director General of Civil Aviation, Controller of Aeronautical Inspection in each region.
- (c) All delays are also scrutinised at the Regional and the Headquarters level and appropriate measures taken wherever necessary to prevent/minimise delays.

4. Asked as to how does the delays/cancellations of flights overall compare with those of other Airlines in the world, the Corporation in a note stated :—

“The data of detailed analysis of delays and cancellations of other airlines is generally not made available by other airlines and the aircraft manufacturers. The information normally furnished by the airlines and the manufacturers is with regard to technical reliability only. Information with regard to ‘On-Time’ performance of U.S. Trunk Airlines is published in the monthly magazine “Air Transport World.”

5. The data for the years 1979 and 1980 of U.S. Trunk Airlines on-time performance as compared to Indian Airlines is as under :—

Airline	1979 (%)		1980 (%)	
	Rank	On-Time	Rank	On-Time
American	1	76·10	1	84·19
Braniff Int'l	8	62·16	3	79·24
Continental	5	70·45	4	76·38
Delta	9	59·62	9	71·51
Eastern	6	66·79	5	74·66
Northeast	7	63·53	7	73·08
Pan Am-Nat'l	10	57·64	10	58·23
TWA	4	72·24	8	72·63
United	2	75·54	2	81·56
Western	3	74·86	6	74·19
Average		68·55		75·10
Indian Airlines		69·85		78·43

6. The Committee were also informed that in order to minimise inconvenience to the passengers in case of inordinately delayed flights when information was available in advance, all efforts were made to inform passengers about the revised departure time by contacting them over telephones. It was, however, their experience that at times they were unable to get through to all the passengers particularly on Airbus flights, in time to convey the delay in flights since they had to depend on telephone facili-

ties provided by P&T Department, the reliability of which was not as expected.

7. Asked about the percentage of passengers who were informed at their places in case of inordinately delayed flights, the Indian Airlines stated :—

“At small outstations a large number of passengers whose telephone contacts are available, are invariably informed of the extent of delays. Also the leading hotels in the city are advised to inform the delays to passengers staying in the hotels. However, at major stations, in view of the large number of passengers boarding and the lack of telephone contacts for a majority of passengers in transit, Indian Airlines is unable to communicate the extent of delay. No statistics are maintained to show the percentage of passenger to give their telephone contact. In the event of major disruption of flights which compel Indian Airlines to revise the timings of scheduled flights, efforts are made to advise the passengers through the media of newspapers, press releases and radio/television. The extent of delay is also communicated to the passengers through Close Circuit T.V. at regular interval at the airports for the information of passengers who are already there.”

Wireless Network

8. Inadequate wireless facilities was stated to be one of the factors responsible for lack of information to the passengers in regard to delays in flights. The Committee enquired as to what was the hitch in having a net work of wireless transmission maintained by the I.A. The Corporation in a note stated that for establishing the communication requirements of Indian Airlines, they needed approval of the wireless adviser for the following :—

1. To establish point to point Radio Communication between all airports served by Airbus and Boeing-737 flights.
2. To establish point to point Radio Communication between all airports and City Booking Officers as a back-up means of communication to the existing telephone systems.
3. To establish Radio Communication (fixed point to mobile station) between airports/workshops and mobile vehicles used for crew pick-up/operational duties in major cities served by Airbus flights.

9. According to Indian Airlines the request of I.A. in respect of above items was pending with the Wireless Adviser, Ministry of Communications for the last 2 years.

10. The Committee took evidence of the Wireless Adviser, Ministry of Communications and enquired from him the reasons for the delay in giving the requisite approval. The Wireless Adviser stated that there had been a variety of requirements. It was not a single request. These requests had been coming to them in pieces since 1975-76 and they had been responding to them. The Committee desired to have a consolidated note

about the tele-communication needs of the Indian Airlines and the action taken by the Ministry/Wireless Adviser to provide these facilities.

11. The Ministry of Tourism and Civil Aviation stated in a note that the Indian Airlines had been asked to project their requirement in regard to their tele-communication needs. The following were the five items which were enumerated by Indian Airlines in their letter addressed to the Wireless Board, dated November 20, 1981.

Sl. No.	System	Facility wanted	Reference	Existing Facility	Remarks
1	2	3	4	5	6
1.	VHF/FM Airport Communication/ (Walkie-Talkie/Base station within airport, vicinity)	All Jet stations (45 stations)	—	Bombay, Bangalore, Calcutta, Delhi, Hyderabad, Madras, Srinagar, Gauhati, Trivandrum, Tezpur.	—
2.	HF/SSB Communication.	-Dc-	—	Bombay, Bangalore, Calcutta, Delhi, Gauhati, Srinagar, Hyderabad, Madras.	(a) In regular operation at Bombay, Calcutta, Delhi, Srinagar, Madras. (b) Operations on experimental basis at Bangalore, Gauhati, Hyderabad subject to siting clearance.
3.	VHF/AM Communication (Air-to-ground short distance.)	-Do-	—	Bombay, Calcutta, Delhi, Madras.	
4.	VHF/FM Communication between operational control at airport and city booking office.	All Indian Airlines Stations.	1. Av. 11017/1 78-COM.I. Dt. 3-7-1978 (DGCA) 2. L-14021/275/78-IR. Dated 12-9-1978 (Wireless Adviser). 3. 23-63/78-MR dated 4-10-78 (P&T)	Nil	Application pending with Wireless Adviser & D.G. P&T, Ministry of Communications.
5.	VHF/FM Communication link between operational control at Airport and IA operational cars (mobile)	At all major airports where crew pick up and dropis involved.	—	Nil	Our proposal not approved by Wireless Adviser vide letter No. L-14021/293/80-LR dated 30-8-1980

12. The matter relating to telecommunication needs of Indian Airlines was discussed in a meeting taken by the Secretary, Ministry of Tourism and Civil Aviation on 24th November, 1981 with the representative of Indian Airlines and Wireless Adviser. The five items which were communicated by the Indian Airlines to the Wireless Board on 20 November, 1981 mentioned above were discussed in the meeting.

13. In regard to item No. 4 the Wireless Adviser clarified that though the requisition was made in 1978, there had been correspondence between the Indian Airlines and the Wireless Adviser and the matter was referred by the Wireless Adviser to the P&T Department with a view to examining whether hiring of equipment could be made by the P&T Department to the Indian Airlines. Later, the Indian Airlines came to the conclusion that the P&T facilities would not be useful to them. Therefore, the Indian Airlines again requested the Wireless Adviser to authorise them operating their own Wireless system. The revival of the proposal was in October, 1981. The Wireless Adviser clarified that all these cases were acceptable to him and would be cleared by him. Secretary, Tourism and Civil Aviation requested the Wireless Adviser that necessary clearance might be issued, in principle, in a fortnight's time. Further the Wireless Adviser clarified that so long they were all single channel, he would have no difficulty in agreeing to this, in principle, but he advised the Indian Airlines that necessary formal licence applications should be submitted and due process followed in order to concretise these decisions.

14. As regards Item 5, it was agreed that necessary frequency authorisations and licences for 146/174MHZ would be given to the Indian Airlines. The Communication of the approval of the Wireless Adviser, in principle, to the above allocation would be sent to the Indian Airlines in a fortnight's time.

15. The items 1 to 3 were new requirements which included augmentation of existing facilities. In regard to Item No. 1, the Wireless Adviser mentioned that on a perusal of the list of the places and the type of communication facilities asked for, he felt that there should be no difficulty in agreeing, in principle, to the requirements. He, however, requested the Indian Airlines to indicate the justification for each one of the places. Secretary, Tourism and Civil Aviation requested the Indian Airlines representatives that this might be submitted by the Indian Airlines in respect of the first priority centres, since it was not the intention of I.A. to cover all the centres mentioned by them, in one phase. With regard to the requirements of the other centres, the same might be projected with adequate justification in each case as and when the demand arose. It was agreed that the saturation of all the stations with Wireless Communication would be dependent upon the availability of funds with the Indian Airlines and, therefore, the programme had to be on a staggered basis over a period of 2/3 years. The Wireless Adviser, however, reiterated that the said procedure of the applications being routed through the DGCA might be followed.

16. Regarding Item No. 2, the Wireless Adviser said that it consisted of two parts, (i) air-to-ground communication and (ii) ground-to-ground communication, both in the HF (Short Wave Band). The Wireless Adviser clarified that certain authorisations had already been given to

I.A., in consultation with DGCA, for both types of communications. If the same could be shared by other stations, there would be no problem in giving necessary additional authorisations. If, however, new frequency systems were required, the matter would need close and careful examination because of the serious problems in the HF band. By way of incidental clarification, the Wireless Adviser observed that for single channel type of facility and Mobile Communication, the P&T did not come into the picture and therefore, no reference need be made to them.

17. As regards Item 3, the Wireless Adviser clarified that so long as the DGCA concurred with the proposals, he would have no difficulty in giving clearances in principle. The Wireless Adviser, however, raised a point, whether consultation with the Air Force would be needed. The Wireless Adviser agreed to check up this point.

18. The Secretary, Ministry of Tourism and Civil Aviation expressed a desire that this Group might meet once in a month to review the progress till final licences were given to Indian Airlines and equipment ordered.

B. Safety of Services

19. The following statement shows the details of accidents to Indian Airlines aircraft during each of the last five years :

Year	No. of accidents	
	Fatal	Non-Fatal
1976	1	1
1977	—	1
1978	2	—
1979	2	—
1980	1	1
1981	—	2

20. Asked as to what went wrong with the operations in 1979 which recorded the largest number of accidents in recent years, the Deputy Managing Director, Indian Airlines stated in evidence "We did have these accidents. Each accident has its own reason."

21. The Committee pointed out that in regard to fatal accident near Bombay on 4-8-79 the Court of Inquiry observed that in this accident 'it was an unfortunate combination of lapses/failures on the part of three disciplines which culminated into the tragic accident' and enquired as to what improvements were made by Indian Airlines in these three disciplines as a result of the report of the Court of Inquiry. The representative of Indian Airlines stated in evidence : "We give strict instructions to all the running staff. We have issued circulars also to the pilots. We have explained to them the safety points."

22. The Committee enquired as to how the rate of accidents in Indian Airlines compared with Air India and other foreign airlines. In reply, the

Ministry of Tourism and Civil Aviation, furnished the following comparative statement of accidents from the year 1976 to 1980.

Name of Airlines Year	Indian Air-lines		Air-India		BOAC		Air France		AERO-FLOT		PIA		JAL		United Air-lines	
	F	NF	F	NF	F	NF	F	NF	F	NF	F	NF	F	NF	F	NF
*1976	—	1	NIL		—	2	—	—	3	—	—	—	—	1	—	2
1977	—	1	—	—	—	1	—	1	3	—	—	2	2	2	1	2
@1978	1	—	1	—	—	1	—	—	—	—	—	—	—	—	—	—
1979	2	4	—	—	—	2	—	2	3	—	1	2	—	2	—	—
£1980	1	1	—	—	—	1	—	—	1	1	—	—	—	—	—	—

F—Fatal

NF—Non-Fatal

*Data available upto September, 1976 for Airlines outside India (I.A. figures upto Spt., 1976.)

@Data available upto June, 1978 for Airlines outside India (IA's figures are for the corresponding period of six months.)

£Data available upto June, 1980 for Airlines outside India (IA's figures are for the corresponding period of six months).

23. The Committee enquired as to what were the shortcomings both of Airlines and of the Airports in the context of ensuring safety of operations, and whether there were any financial constraints in removing these shortcomings. The Ministry stated that there were no financial constraints in removing shortcomings. This was however, a continuing process. As and when new safety devices became available efforts were made to provide the same in airports to improve the safety standards.

24. There was a report in the Press about various deficiencies both of airline and of the airport affecting Safety of Operations. These included *inter-alia* the following :—

1. Lack of proper visual aids for navigation and landing;
2. Inadequate fuel on board on aircraft;
3. Surrendering of funds by DGCA;
4. Trespassing and straying of cattles and animals into the operational area;
5. Slums near airport encroaching upon approaches to the airport; and
6. Inadequate communication facilities.

25. In a note furnished to the Committee, the Ministry has explained the position in regard to various points as follows :—

As regards point 1, the Ministry has stated that the visual aids for navigation and landing are provided at the aerodromes keeping in view the

requirements of Indian Airlines and availability of equipment. At most of the aerodromes through which Indian Airlines operates night services, atleast minimum intensity runway lights as well as abridged visual approach slope indicator systems are provided. These are being improved in a phased programme.

26. On point 2, it has been stated that as per current requirement, every aircraft is required to have sufficient fuel on board for reaching destination and then without landing a destination for diverting to alternate airport and thereafter for flying for 45 minutes at cruising speed. For the purpose of calculating sector fuel, the low level flights are taken into account and 7% additional fuel is calculated by the operators, which takes care of the change in the sector altitude allotted by the Air Traffic Control necessitated as a result of conflicting traffic.

27. In regard to point 3, the Ministry admitted that DGCA surrendered Rs. 12 crores in 1979-80. The shortcomings which were responsible for such a surrender had now been overcome. In 1980-81, against an allocation of Rs. 20 crores, about Rs. 18 crores were utilised and in 1981-82, against an allocation of Rs. 24 crores, about Rs. 23.75 crores were utilised.

28. As regards trespassing and straying of cattles and animals into the operational area (Point 4), the Ministry has stated that cattle traps are being provided at entry gates. The security police man these gates. No unauthorised person is allowed to tress-pass into the operational area. In view of some infringement due to contract labour etc. the strength of the security police for perimeter security is being increased.

29. On point 5, it has been stated that out of the four international airports only Bombay airport is facing the problem of slums. According to the census carried out in 1976 there are about 14,000 unauthorised hutments. The issue was discussed with the State Govt. and it was agreed that the State Government will remove the hutments on payment of Rs. 1900/- per hut. However, no hut has been removed so far. Meanwhile the number of unauthorised huts have increased and the exact number of huts at the airport is not known. The State Government has agreed to help IAAI for demolishing the huts erected after May, 1980. A Demolishing Squad is made available to IAAI for this purpose once a week. They are requested to provide this Squad on a regular basis for which IAAI is prepared to bear the cost. Their response is awaited. At the domestic aerodroms, DGCA has reported that no slums have come up within the operational area.

30. The question of inadequacies in communication facilities has been separately dealt with in this Report.

31. The Committee enquired as to whether the air safety regulations/directives issued by DGCA had been followed by Indian Airlines. The Corporation stated that all the airworthiness requirements/directives issued by DGCA Aeronautical Inspection Directorate and/or manufacturers of the Aircraft/Engines were duly complied with by Indian Airlines. To another query in regard to instances of violations of safety regulations by Indian Airlines the Corporation stated that there had been no specific case, to their knowledge, of infringement of safety rules and regulations.

32. It was reported in the Press that on 11th February, 1982, the IC-410 Boeing-737 (Calcutta—Ranchi—Patna—Lucknow) flight was full between Ranchi and Patna, but 15 extra passengers were accommodated in the aircraft. Two of the passengers were adjusted in the cockpit, four in the galley and others stood in the cabin and even toilets.

33. The Committee enquired about the circumstances under which this incident had happened and the action taken or proposed to be taken in the matter. The Indian Airlines stated in a note that they had made a preliminary investigation into the incident referred and evidence indicated that there were 7 passengers carried in the aircraft in excess and not 15 as reported. Detailed investigations were in progress into the circumstances leading to incident.

34. The incident was also discussed in Lok Sabha on 29-3-82. The Minister informed the House that the preliminary investigations made into this incident revealed that the flight was inadvertently overbooked ex-Ranchi due to an error by Traffic Assistant at Ranchi City booking office. The Traffic Assistant, the Pilot and the Station-in-charge had been suspended. The Co-Pilot had been warned. Disciplinary proceedings had been initiated by Indian Airlines against the erring staff. A senior officer of the Eastern Regional Office of the Indian Airlines was conducting further inquiry. Director General of Civil Aviation had also initiated proceedings under Rule 77(c) of the Aircraft Rules, 1947. On receipt of the report further necessary action would be taken.

35. The Minister added that Indian Airlines had already issued instructions on the subject to their Regional Heads warning them that any violation of safety norms like overloading etc., would be viewed very seriously and that they would be held personally responsible. The DGCA and the Indian Airlines would continue to conduct surprise check to ensure strict compliance with safety regulations.

36. The Indian Commercial Pilots Association, Calcutta in the Memorandum submitted to the Committee alleged lack of vigilance in enforcing Safety Rules of flying, maintenance and other associated issues on the part of both Indian Airlines and DGCA. In this connection, it has been pointed out that establishing an Independent Air Safety Cell was recommended by the Estimates Committee in 1962 and reiterated in 1967 after great deliberations. The Committee had observed in this regard as follows :—

“The Committee consider that the wholesome principle that the agency investigating into accidents should be independent of the organisation should be followed also in the case of Civil Aviation. They recommend that the Accident Investigation Section may be taken out of the purview of the Director General of Civil Aviation and placed directly under the Ministry of Transport and Communications or under any other Ministry considered suitable.”

37. According to ICPA in USA, National Transport Safety Board was an independent body responsible to the President of United States and investigated all accidents inclusive of Air Surface Transport—Railways and Marine.

C. Airport Facilities

38. According to Indian Airlines inadequate airport facilities was one of the causes for delays in flights. The Catering arrangements in the airports were also stated to be inadequate. At many airports, Restaurants were not equipped to serve to a large number of passengers appropriate food at short notice and had limited seating capacity as also other limitations like lack of proper kitchen and pantry stores.

39. The Committee enquired as to whether it would be advantageous if maintenance of domestic airports/terminal came under the Indian Airlines to the extent the maintenance of International Airports was done by International Airports Authority of India. The Chairman & Managing Director, Indian Airlines stated in evidence :—

“We would be quite happy if another agency runs it efficiently so that we are not bothered about it at all. We do not get quick response whenever we want to move the passenger counters. If we want additional catering section to be moved or if we want a fencing to be moved, it takes a long time to get things done.

So, the best arrangement would be this. The terminal is meant for domestic operations. So, let the domestic airlines look after the management also; when the buildings are designed it should be the responsibility of the Indian Airlines and it must be consulted. The fact of the matter is this. In Trivandrum, Cochin and other places you will find arrival lounge at one end and the departure lounge at another Whenever there is a new aircraft arriving there we have the staff attending to it. The incoming passengers are far away from the place where they are waiting for their departure by the aircraft. We have to have duplicate staff, duplicate telephones and all that. In Rome, they have an International Airport Authority. But I am told that the domestic airport is managed by Alitalia. Compared to the equipment and the speed with which we are buying new aircraft, the terminals are not keeping pace. At the Kennedy Airport all the airlines have their own terminals.”

40. The Committee desired to know from the Ministry whether there were any difficulties in handing over the maintenance of domestic airports/terminals to the Indian Airlines to the extent maintenance of International Airports was done by I.A.A.I. The Secretary, Ministry of Tourism and Civil Aviation stated in evidence :—

“We have a very elaborate organisation called the Director-General of Civil Aviation. They have an establishment for the purpose. CPWD are doing building and runway job. If the Indian Airlines were to take over all this property and started managing it, then their responsibility will get watered down further.”

41. He added that Indian Airlines has a Standing Committee, which met once in 3 months. The Director of Civil Aviation (Security) was also a member of this Committee and they discussed from time to time the

lay out for various facilities to be provided at Airports. Also, at the time of making a plan for the new airport terminal buildings, the consent of the Indian Airlines was taken.

42. In a note furnished after evidence the Ministry of Tourism and Civil Aviation stated that Indian Airlines' request for handing over to them the terminal buildings at international airports seemed to arise from a desire that they should have some control over the allotment of space, regulation of traffic at the terminal building etc. If Indian Airlines, however, had any specific problems that they were facing at terminal buildings, they could always be looked into by the I.A.A.I. or D.G.C.A. and a satisfactory solution found. At present they had combined terminal buildings serving international airlines as well as domestic carriers at all the international airports except at Bombay where there were separate terminals for domestic and international airlines. The domestic terminal building at Bombay was being used by Indian Airlines and their passengers/visitors. A number of offices of IAAI, Civil Aviation Department, Police, Air India and some other Airlines were also located in the terminal building. Post Office, book stall, restaurant, money changer, insurance stall were also located in the terminal building. It was basically the job of Airports Authority to manage the terminal building. The very basis of constituting an IAAI was to have specialised agency to manage international airports leaving the airlines free to concentrate on the efficient operation of their services.

D. Passenger Bookings

43. The Committee point out that one of the complaints received from passengers was "Seats being not available on flights inspite of holding 'OK' tickets". Asked about the reasons for it, the Chairman and Managing Director, Indian Airlines stated in evidence :—

"If it is an international flight New York to Bombay, Gulf to Bombay and so on, there, we have found that the agents write 'OK' without receiving confirmation from I.A. For instance, a passenger leaves Paris; he travels by Air France. He tells Air France, "I want to fly from Delhi to Lucknow." Interline Airline instead of sending their request direct to Indian Airlines' Office in India, send a copy to their office in Bombay or Delhi. The credit goes to the Interline offices hence the local office is lukewarm. When the passenger comes, he does not get the seat. They must ask us directly so that we can respond. The information does not come to us. The confirmation is given because they want to sell the ticket. They get the credit and we get bad reputation."

44. It was added that on the Bombay-Cochin Sector this difficulty was much more prominent because the international agents book more seats whereas Indian Airlines did not have that much capacity.

45. The Committee wanted to know as to whether the Indian Airlines had brought this situation to the notice of the agents of other airlines. The

CMD, Indian Airlines stated that they wrote to the agents and also to their airlines but there was no response from them. He added :—

“I have personally spoken to them also. We had meetings with them. Our Minister was present. They said that the only answer is that Indian Airlines should open their office in Europe and in the States. Even our Deputy High Commissioner said the same thing.”

46. Asked would it not be advantageous to appoint Air India as agent of Indian Airlines in foreign countries where they had their establishments and were there any difficulties in this regard, the Indian Airlines stated in a note that according to the existing interline arrangement between Indian Airlines and Air India, each of them could sell air transportation on the other airlines.

47. The Committee enquired whether Indian Airlines had asked Air India to do it on their behalf. The Chairman & Managing Director stated that :—

“Only last week I was in London. They said, you place your man in London. I think this is another area where we are suffering. We are a very large airline carrying almost 6 million passengers. We must have at least 3 or 4 offices overseas, particularly in Frankfurt, London and New York.”

48. When the Committee asked as to whether the CMD, Indian Airlines who being on the Board of Air India, had taken up this matter at the Director's level, the Chairman & Managing Director, Indian Airlines stated in evidence :—

“I have taken it up even at the Chairman's level, at the Commercial Director's level, at every level. Their answer is, “We will have to put additional men there to do your work. You might as well have your own men there. The cost will be the same.”

49. The Committee pointed out that if the Indian Airlines would have their own offices overseas, they would have to incur substantial expenditure. The Chairman & Managing Director, Indian Airlines stated :—

“We will get much more traffic. When the tourists do not get response, very often they go elsewhere. Air India carries only a small part of the total traffic. If we have our own office there, much more traffic will come to us. We will get the business.”

50. Asked as to whether the Indian Airlines had taken up this issue of opening their own offices abroad with the Government, the witness stated that they had raised this point several times in the past, in writing that the Ministry should permit Indian Airlines to open at least four offices overseas, but that did not bear fruit. He added, “We have now discussed again. We have said that Air India people are also saying so. This is still not decided. It is still there. We just discuss the matter and is left there.”

51. In regard to domestic bookings, the Committee desired to know if a passenger wanted a booking with connections, could he get confirmation at the starting point, the Commercial Director, Indian Airlines stated that if a passenger was going from Delhi to Calcutta and then from Calcutta to Gauhati, they had a system at the moment whereby they control a number of seats from Calcutta to Gauhati from Delhi. They straight-away sold the tickets against these seats with them and only when they were sold away, they contact Calcutta.

52. The Committee pointed out that at the time of booking for onward journey, when a request was made telex messages were sent by Indian Airlines to other stations but when the passenger went to onward stations to enquire about his reservation, it was found that the Indian Airlines office generally refused having received the telex messages. The Chairman & Managing Director, Indian Airlines stated in evidence: "We can be guilty or the telex office may be guilty for not transmitting it." Asked as to how could the reservation system be improved the Commercial Director, Indian Airlines stated "only the computer can help".

53. The Committee pointed out that in the Annual Report of the Corporation for the year 1979-80, it had been stated that :

"In January 1980, it was finally established that the Real Time Computer System installed by Air India at Bombay did not have the capacity to handle the reservations of Indian Airlines. It was, therefore, decided to augment the capacity of the system at Delhi, so that it could meet the requirements of Real Time Reservations of the Corporation. The enhanced set up is now being processed with the Department of Electronics."

54. Asked about the latest position in this regard, the Chairman & Managing Director, Indian Airlines stated that when the proposal was sent to the Government, the cost of the real time computer was only Rs. 5 crores but now it had increased to Rs. 7.5 crores. The Government told them that they would be sending a letter conveying the latest position regarding approval of Real Time Reservation System. He had reminded them in the past eight months. But they had not yet got their letter.

55. The Committee desired to know from the Ministry as to what was the present position in regard to this proposal and what were the reasons for the delay in taking a decision in the matter. In a note, Ministry of Tourism & Civil Aviation stated that in regard to acquisition of Real Time Computer System, the matter was under active consideration of the Government. Some doubts were expressed about the choice of the Make of the Real Time Computer as also about its capability as compared to other makes. The Parliamentary Committee on Petitions had also brought this to the notice of the Government. The Government had to examine whether there should be a joint system both for Indian Airlines and Air India. The matter was accordingly referred by the Department of Electronics to a One-Man Committee headed by Prof. R. Narsihman of the Tata Institute of Fundamental Research to examine the earlier decision to acquire the Univac 1100/80 (2 × 2) System for Indian Airlines in the light of experience of Air India and in the light of development of Electronics Industry indigenously. The Report of the Narsihman Committee had since become available. Based on the recommendation made by the Committee the matter

regarding acquisition of Real Time Computer System was being referred to the PIB for its consideration.

56. The Committee pointed out that there was a report in the first week of October, 1981 that certain number of passengers holding confirmed tickets on Calcutta-Delhi Airbus flight were also refused seats. Asked about the reasons for this incident, the Ministry explained in a note that on 2nd October, 1981 on IC-263 Calcutta-Delhi flight, 20 passengers holding confirmed tickets were refused seats and some other accommodated out of turn. Regional Director, Eastern Region, Calcutta had made necessary enquiries in the matter and found that this had happen due to lapse on the part of handling staff. A number of unrecorded passengers were accepted prior to acceptance of all passengers holding confirmed tickets. The Aircraft handling staff should have off-loaded the unrecorded passengers accepted earlier, when it became known to them that some pasengers holding 'OK' tickets had not been accommodated. According to the Ministry in view of the past satisfactory service record of the staff responsible, they had been warned in writing by Commercial Manager, Indian Airlines, Eastern Region, Calcutta. Further, the off-loaded passengers were accommodated, some in the same evening flight and some in the next morning flight.

57. Asked as to how many of the 20 passengers accommodated out of turn were the employees and officers of the Indian Airlines, the Ministry informed that out of 20 passengers there were 15+1 infant staff passengers (staff on leave) of Indian Airlines.

E. Catering service

58. The Committee enquired about the in-flight catering arrangements by Indian Airlines. Indian Airlines in a note stated that at main bases i.e. at Delhi, Bombay, Calcutta and Madras, except for the provision of hot beverages like tea/coffee and biscuits etc. from the Corporation's own stocks, they have contracted out food supplies to the following caterers of repute.

City	Caterer
Bombay	M/s. Chefair/Taj Flight Kitchen/Plaza Flight Kitchen/Holiday Inn.
Delhi	M/s. Chefair—a unit of Hotel Corporation of India.
Calcutta	M/s. I.T.D.C.—Airport Restaurant/M/s. Kathlene Caterers.
Madras	Hotel Connemara/Hotel Taj Coramadal.

59. At other stations like Hyderabad, Bangalore, Cochin, Agartala, Gauhati, Srinagar etc. and other small stations, the contracts are awarded generally to the Airport Restaurant appointed at these places by the Director General of Civil Aviation.

60. It has also been stated that as a matter of policy, Indian Airlines uplifts catering supplies from more than one caterer if available at the airport, to provide an element of competition and to take care of possible disruption in the catering establishments.

61. The Committee wanted to know as to how much percentage of the total value of food supplies was obtained from public sector undertakings like ITDC and Hotel Corporation of India. The Corporation in a note stated that India Tourism Development Corporation had Flight Kitchens available at Calcutta and Bangalore while the Hotel Corporation of India had Flight Kitchens available at Bombay and Delhi. The following percentage of food upliftment was done from the two Flight Kitchens :

Delhi . . .	100%	Hotel Corporation of India
Calcutta . . .	50%	India Tourism Development Corporation
Bombay . . .	40%	Hotel Corporation of India
Bangalore . . .	100%	India Tourism Development Corporation

In addition, ITDC have catering contracts with Indian Airlines for flight catering at Varanasi, Aurangabad, Agra and Trichy.

62. Asked as to what were the difficulties in availing in greater measure the facilities available with ITDC for flight catering, the Secretary, Ministry of Tourism and Civil Aviation stated in evidence :—

“I would briefly mention the position. The role of public sector units is clear. It has to serve the specific requirements of the social needs of the country. It has also been said that they should run on a commercial basis. Therefore, a view was taken in the Indian Airlines that they would call for tenders and whoever gives the lowest tender, they would accept it. Instead of giving it to one party they will give it to two parties. ITDC is kept on its toes to compete with the private caterers. Its quality is improving.”

63. In regard to catering arrangements at Bombay the Committee desired to know the year in which the contract was entered into with each of the parties. The Deputy Catering Manager, Indian Airlines stated that with Plaza and Chefair the contracts were made in May, 1980 whereas the contract with Holiday Inn was made in October, 1980. For the year 1981 the contract was renewed for all the caterers from May, 1981.

64. As regards arrangements for uplifting of meals from various caterers at Calcutta, the Indian Airlines stated in a note that M/s. ITDC took over the Airport Restaurant from 1st January, 1979. M/s. Kathelene Caterers were the contractors to run the kitchen of Airport Restaurant prior to take over of the Restaurant by I.T.D.C. from IAAI. These contractors had, therefore, the requisite experience of flight catering, and were the only caterers other than ITDC available near the Airport. Indian Airlines placed orders on M/s. ITDC for Jet flights and also on M/s. Kathelene Caterers, who were situated in close proximity from the airport, for Turbo-prop flights.

65. Later, towards the end of January, 1979, total business was given to M/s. ITDC. This arrangement did not work well as there were shortcomings both in the quality of food and cleanliness of equipment and on time delivery. The situation deteriorated further during the months of September/October 1979 due to labour unrest in the Airport Restaurant run by ITDC. The supplies made to their flights were irregular and there

were numerous complaints about cleanliness of equipment, on time delivery and quality of food supplies for their flights.

66. In order to ensure uninterrupted good quality of food supplies and create healthy competition in consonance with their considered policy followed in other Regions as well, Indian Airlines again appointed M/s. Kathelene with effect from 1st November, 1979 initially for a period 4 months only. The rates of this caterer were nearly 20 to 25% less than those charged by M/s. ITDC. For the year 1980-81 (1-4-1980 to 31-3-1981) though the rates of M/s. ITDC were higher by about 25% the business was divided equally between M/s. Kathelene and M/s. I.T.D.C.

67. In the year 1981-82, since there was no other Caterer at the airport and the arrangement that existed was working satisfactorily, it was decided to extend the period of the contract with both the Caterers effective from 1-4-1981. M/s. Kathelene had revised their rates by about 9% to 10% effective 1-4-1981 for period of 2 years. M/s. ITDC had requested for increase in their rates ranging from 12% to 85% for different types of meals and, therefore, their contract had not been finalised so far. Should they agree to matching increase, their contract would also be extended by 2 years. This had been conveyed to them. According to Indian Airlines even with the existing rates and on the basis of 50% upliftment from ITDC, Indian Airlines was spending around Rs. 3.5 lakhs extra per annum. This gap would further widen, if the rates of M/s. ITDC were revised or increased number of meals were uplifted from them.

68. In this connection, ITDC have informed the Committee that I.T.D.C. is catering to the following Airlines from the Kitchen at the Airport Hotel, Calcutta :

1. Air India
2. Union of Burma Airways
3. Royal Nepal Airlines
4. Aeroflot
5. Bangladesh Biman (on demand)
6. Thai International Airways (on demand)

69. I.T.D.C. has been catering to the British Airways from the kitchen at the Airport Hotel since 1976. All the above airlines are quite happy with the services offered to them. Air India has recently come forward to sign a long term contract with I.T.D.C. for a period of 5 years for upliftment of food for flights operated by it from Calcutta, which have been increased from 1st January, 1980.

70. In regard to reduction of supplies by 50% from 1-11-1979 by Indian Airlines from Airport Hotel it has been stated by I.T.D.C. that the reason given for this extreme step as per a letter dated 31-10-1979 from the Commercial Manager, Customer Services, Indian Airlines, was an

alleged food poisoning incident resulting from the patties supplied by I.T.D.C. on 16-9-1979 on flight No. IC-273. This incident was not brought to the notice of the I.T.D.C. Headquarters in Delhi or the General Manager, Airport Hotel, Calcutta or any officers of the flight catering unit of the I.T.D.C. when it occurred. Had this been done I.T.D.C. would have conducted the necessary investigations to find out what had gone wrong with the patties. The patties served were made of Cheese and these do not cause food poisoning even if stale. There was no complaint of food poisoning from the other flights of the Indian Airlines where the same patties were served on the same day viz. flight No. IC-283, IC-261 and IC-256.

71. I.T.D.C. have added that Indian Airlines recently introduced an Airbus from Calcutta to Madras, but ITDC's flight catering unit was not approached for undertaking the on-board catering for this flight. This business has also been given to the private contractor. The Ministry of Tourism and Civil Aviation was also requested to use their good offices in getting this matter resolved.

72. According to I.T.D.C. Indian Airlines do not want to give full business to ITDC and perhaps are planning even to reduce the present upliftment. Two incidents which have happened recently only go to confirm this feeling. The first incident related to a complaint received from a passenger who travelled to Delhi by IC 402 on 30th December, '81 regarding the presence of a lot of human hair in the lunch packet and a number of dead insects in the pudding container. On receipt of this complaint from the Indian Airlines, the General Manager (Hotels), ITDC visited Calcutta to inspect the Flight Catering Unit. His thorough inspection and investigation did not reveal any pest infestation in the area with the possibility of insects getting into the pudding. With regard to the presence of a lot of hair, it may be mentioned that it is sometimes possible to find a hair due to carelessness of the staff, but to find a lot of hair on top of the meal pack is beyond comprehension. It is understood that the Regional Manager (Commercial), Indian Airlines alongwith the Catering Officers also inspected the ITDC Flight Kitchen but they also did not find any infestation of pests or any cause to call the place unhygienic. Foul play was therefore suspected on the part of some Indian Airlines officials with a view to defaming ITDC obviously to benefit a private party.

73. After the above complaint, another complaint was received from the Indian Airlines on 19-1-1982 in which it was alleged that ITDC had served rotten masala omelette on the Calcutta-Delhi flight on that morning. One particular tray was produced to show the contents. The matter was checked up and it was found that on that day only cheese omelette was served by ITDC and it was not understood as to how the Indian Airlines officials produced a Masala Omelette on a tray which was of a different colour to the one on which service was made by ITDC on that particular day. The case has been referred to CBI for investigation

Catering Cost

74. The Committee enquired about the total expenditure incurred on in-flight catering during each of the last three years. The Indian Airlines

furnished the following statement of total food cost and food cost per passenger :

	1978-79	1979-80	1980-81
1. Food expenditure (Rs. in crores)	4.34	5.18	5.37
2. Number of Pax	5268015	5322765	5407943
3. Average Cost per Pax (Rs.)	8.18	9.64	9.87

Note : The average cost per Pax includes Breakfast, Lunch, Snacks, only Tea/Garni and Biscuits and Dinner.

75. In the course of evidence of representatives of Indian Airlines the Committee suggested to Indian Airlines to consider the question of quantitative improvement in flight catering. They were informed in a note after evidence that as per revised meal schedule effective from December 1981/January 1982 the quantum of food had been increased from 445 gms. to 485 gms. Additionally, the revised schedule offers choice to passengers of purees and bread rolls, butter. This would also reduce the complaints of shortage of vegetarian meals on board as all passengers would get a casserole full of rice and vegetable curry. Further, bread roll, butter and purees would be available to all passengers. The only difference would be in one dish i.e. Chicken curry for non-vegetarian and panir curry for vegetarians on Airbus flights.

76. In regard to breakfast, the Corporation stated that Hot breakfast was offered on Airbus and Boeing-737 flights. Care was taken to change the menus every week. Regional/local specialities were also offered to achieve better passenger satisfaction. On Turbo prop flights where they did not have heating facility for food, they had, however, to contend serving food that could be served at room temperature. Due to time limitation, similar cold breakfast was served on some of the Boeing-737 flights also. They had, however, increased the quantity of fresh fruit cocktail from 80 gms. to 100 gms.

77. The Indian Airlines also stated that for flights which operate outside the meal timings i.e. 10.30 to 12.30 hrs. and 16.30 hrs. to 18.30 hrs., where they serve light snacks i.e. 2 nos. biscuits and a savoury item like vegetable patty or samosa or cheese tart, they had decided to replace the biscuits with 'nuts cookies'.

F. Complaints/Suggestions

78. The Committee enquired about the arrangements for receiving and attending to complaints/suggestions from passengers. The Ministry of Tourism and Civil Aviation in a note stated that Indian Airlines was a service organisation which provided transportation to the travelling public. It has a Customer Services Division which looked after the complaints and took proper action. Number of complaints received earlier mainly related to non-availability of seats, delays, baggage delivery and food services etc. Remedial measures had been taken for providing additional/capacity, improving punctuality, improving standards of service and providing food on board. According to Indian Airlines as a result of these measures the number of complaints had come down considerably. Complaints were

sometimes received directly in the Ministry from travelling public. These were taken up with the Indian Airlines for further appropriate action.

79. Asked about the nature of complaints and suggestions received by the Ministry during 1977-78 to 1980-81 the Ministry stated that the nature of complaints relate to :

- (i) Service in general;
- (ii) Time Keeping;
- (iii) Non-acceptance of passengers holding confirmed reservations;
- (iv) Staff attitude;
- (v) Baggage delivery;
- (vi) Meals served on board, etc.

80. The Committee enquired about the number of complaints/suggestions received by Indian Airlines during the last three years. The Indian Airlines stated that 2,664 complaints as per details given below were received at Headquarters.

1978	.	.	.	.	.	.	1075
1979	.	.	.	.	.	.	808
1980	.	.	.	.	.	.	781
TOTAL:	.	.	.	.	.	.	2664

81. Asked about the specific action taken by the Corporation on these complaints/suggestions the Indian Airlines stated that complaints when received at Headquarters were acknowledged and referred to the respective Regions for investigation and report. Depending on the nature of complaints, where necessary, an officer from Headquarters was sent for investigation. After thorough investigation of complaints, remedial steps were taken to avoid such complaints. Cases where compensation was involved, if the amount involved was less than Rs. 250/-, the same was settled, otherwise the case was referred to insurers processed and settled after confirmation from the insurers.

Legspace in Boeing 737

82. The Committee enquired about the international standards of space between two rows of seats in the Boeing aircraft and how did it compare with Indian Airlines aircraft. The Ministry have stated that there is no international standard laid down by ICAO or adopted by the airlines of space between two rows of seats in the Boeing 737 aircraft. In the original configuration as Boeing Company supplies the aircraft, the number of seats is 115 with a pitch of 33"/34". In large number of European Airlines using the Boeing 737 aircraft, the number of seats is 119 with a pitch of 32"/33". In the Indian Airlines, the number of seats is 126 with a pitch of 31"/30" excepting in regard to 3 seats near the emergency exit where the pitch is only 30". In India, the Boeing aircraft is used both for short-haul and long-haul distances i.e., where the flight time is 2½ hours at one end and ½ hour at the other end. Therefore, the figure of 126 is considered a reasonable number of seats consistent with comfort and economy.

83. The Indian Commercial Pilots Association, Calcutta in their Memorandum submitted to the Committee while pointing out various shortcomings

on the part of Indian Airlines in regard to passenger amenities stated that prior to 1971 there was an "Advisory Committee" constituted in terms of Section 41(1) in the Air Corporations Act 1953. The functions of the Advisory Committee as laid down in rule 50(1) of Air Corporation Rules were as follows :—

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

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

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

84. By an amendment of Air Corporations Act of 1971 (9 of 71) Section 41(1) had been deleted and consequently the Advisory Committee abolished. This had withdrawn all scopes of collective representation of the commuters, and now only individuals or individual organisations could represent their view on the above subjects. This had enabled the Indian Airlines to exercise their sole discretion.

85. According to ICPA the provisions should be made to revive such Advisory Committees so that the suggestions made at regional basis were examined at central level for implementation and improvement. Particularly in the absence of any Air Travellers Association in our country similar to that in Railways, it was worthwhile to examine this proposal.

V. CONTROL AND COORDINATION

A. Board of Directors

The Secretary of the Ministry of Tourism and Civil Aviation was a member of the Board of Directors of Indian Airlines, since June 1980. In their 23rd Report (1966) on Indian Airlines the Committee recommended that the then arrangement of having the Secretary of the Ministry as the Chairman of the Corporation was not satisfactory and should be ended. The Ministry accepted the recommendation of the Committee and informed that from 2nd December, 1966, the Ministry was represented on the Board of the Corporation by the Joint Secretary. In their 20th Report (1978-79) relating to structure of Boards of Management of Public Undertakings and other allied matters, the Committee observed :

“As early as 1961 Government had decided that no Secretary of Ministry/Department should be a Member of any Board of Public Enterprises. The Committee have also been consistently holding the view that no office of the Ministry should be made the Chairman and no Secretary to Government should be appointed to the Board as a Director. They have given cogent reasons why this should not be done from the point of view of ensuring real autonomy of the public enterprises as well as objective appraisal of the working of these enterprises by the Ministries. The Administrative Reforms Commission has also recommended in its Report (1967) that no officer of the Ministry should be made a Chairman nor the Secretary of the Ministry be included in the Board of Management. In spite of all this the Committee find that in as many as 10 enterprises various officials of the Ministries, mostly Secretaries, have been appointed as Chairman and in 5 enterprises Secretaries have been nominated as Directors. The Committee are unable to find any reason why this practice should continue violating the policy of the Government. The Committee would therefore, require that this practice should end forthwith.”

2. The Committee enquired about the rationale for appointment of the Secretary of the Ministry on the Board of Indian Airlines. They were informed at the time of reconstitution of the Boards of Indian Airlines and Air India in June, 1980 that the Ministry had proposed the names of two Joint Secretaries to represent the Ministry on the Boards. The Government, however, decided to appoint the Secretary of the Ministry on the Board of Directors of both Air India and Indian Airlines.

B. Co-ordination

3. Section 30 of the Air Corporations Act, 1953 provide for the Constitution of Air Transport Council. The functions of the Corporation have been specified in Section 31 of the Act. In pursuance of these provisions in the Act. Air Transport Council was set up in 1955. The only item referred to the Council was, however, to study the general problem of fares and freight rates to be charged in the air services operated by Indian Airlines and to draw up for the consideration of the Government, a set of principles on the basis of which such fares and freight rates should be deter-

mined. The Council submitted its report in this regard in May, 1957. Thereafter, no matter was referred to the Council. The Air Transport Council was dissolved on 30th March, 1962.

4. The Committee enquired as to how was coordination achieved at present among DGCA, D.G. P&T, ITDC, Indian Airlines and Air India in regard to operation of the air services. The Ministry stated in a note that Coordination was at present achieved by the following measures :—

- (i) Ministry's nominees were on the Board of each Corporation.
- (ii) Chairman of Indian Airlines and Air India were on the Board of each other, Chairman, IAAI was on the Board.
- (iii) There were periodical meetings as and when necessary in the Ministry wherever the coordination was concerned necessary.
- (iv) Proposals for additional equipment for one organisation were examined in reference to the other before approval was given.

5. The Committee desired to know whether it would not be better to have chairman of Indian Airlines, Air India and the I.T.D.C. on the Board of Directors of each other to effect better coordination. The Ministry of Tourism and Civil Aviation in a note stated that as on date, the Chairman of Indian Airlines and Air India were in the Board of each other. Chairman, I.T.D.C. was, however, not a member in the Board of Directors of Air India or Indian Airlines. As regards reasons for it the Ministry stated that Director General, Tourism who was over all responsible for the hotels in the private and public sector was a Member on the Boards of Directors of Air India and Indian Airlines. Since it was felt that with the presence of Director General, Tourism on the Board of Directors in the two Corporations the interest of ITDC were adequately safeguarded, the question of having the Chairman, ITDC on these Boards in addition to the Director General, Tourism was not considered so far. This would, however, be considered again and if necessary, action regarding appointment of Chairman, ITDC as Directors on the Boards of Air India and Indian Airlines would be initiated.

C. Monitoring & Appraisal

6. Quarterly performance review meetings are required to be held by the administrative ministries for each public undertakings associating the representatives of the BPE and the Planning Commission. Asked about the number of meetings held during the years 1977-78 to 1980-81, the Committee were informed that there was no such meeting held in 1977, 1978 and 1979. In 1979 however, there was a meeting with the representatives of the BPE, Planning Commission and all the public sector undertakings under the Ministry in which they drew upon a system of how this performance review should be undertaken. In consultation with the BPE and Planning Commission, they had evolved a proforma for calling information from the undertakings. Since then three performance review meetings had been held under the Chairmanship of Joint Secretary in October, 1980, January 1981 and August, 1981.

7. Asked about the nature of review made in these meetings, the representative of the Ministry stated :

“In the quarterly meetings we have reviewed the financial results and the actual physical results of the various corporations with

regard to the amount that had been given to them for different schemes and also about their implementation."

8. The Committee also enquired whether the Annual Reports and Accounts of the public undertakings came up for review. The Secretary of the Ministry stated "when the accounts are circulated to the Members of the Board, an extra copy is sent to the Government because a representative of the Government is on the Board. On this the comments of the Internal audit and Finance side are obtained. The representatives of the Government brings those comments to the notice of the Board of Directors. After the certified copy is received by the Ministry no further Scrutiny is done."

9. The Committee required whether as a result of scrutiny of accounts for 1980-81 before the meetings of the Board it was brought to the notice of Government Director that the actual loss in 1980-81 had been camouflaged by the adjustment of Rs. 5.78 crores relating to previous years. They were informed that in the brief relating to these accounts, the adjustment of Rs. 2.35 crores on account of C.A.D. Fund was commented upon. However, the balance amount (Rs. 3.43 crores—non CAD) was not commented upon since such transactions had figured in this manner in the Indian Airlines Accounts in past years and found acceptable by Audit.

10. The Committee also brought to the notice of the Ministry that there were several items in the profit and loss Accounts under the operating expenses where there had been large increase and which deserved attention of the Ministry and explanation from Indian Airlines. The Secretary of the Ministry stated :

"We had no practice in the past of obtaining the explanation. We will do it now. We will institute a pattern of scrutiny by going into each one of the these items as distinct from participating in the meeting of the Board of Directors. . . . A systematic Scrutiny of the type that is contemplated by the Committee has not been done."

11. In reply to the observation of the Committee that there was no effective second level appraisal of the Corporation in the Ministry, the representatives of the Ministry stated :—

"The reporting system in the Ministry is that they send a monthly report indicating not only financial results but also performance results. We examine these reports. These go upto the Secretary and in certain cases upto the Minister. If there are certain specific areas which require attention, they are again examined. What really did not happen is an organised review by one officer or more than one officer in the Ministry to see the results."

12. Asked whether these monthly statements went to the Joint Secretary of the Internal Finance, the Secretary of the Ministry stated that the Administration Joint Secretary, wherever, he considers it necessary refers the matter to the Internal Finance.*

13. When the Committee enquired from the Joint Secretary Finance whether the non-availability of these statements reduced her ability to monitor the financial position of the undertaking, she stated, "Yes, that would be so."

*At the time of factual verification, Indian Airlines intimated that 'the monthly statement is since being sent to Joint Secretary of Internal Finance and the Administration Joint Secretary in addition to the Secretary of the Ministry.,

PART II

CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

1. The Indian Airlines was set up under the Air Corporations Act, 1953. The Airlines was last examined by the Committee on Public Undertakings (1972-73). The cumulative losses which were of the order of Rs. 15.90 crores as on 31 March 1974 were wiped out subsequently. The profit of the Airlines went up from Rs. 1.02 crores in 1974-75 to Rs. 20.74 crores in 1976-77 on account of several economy measures but thereafter there was deterioration in profitability and the Airlines again went into the red in 1979-80. The marginal profit of Rs. 2.48 crores earned during 1980-81 was illusory inasmuch as this was after adjusting receipts relating to previous years to the extent of Rs. 5.78 crores including subsidy claims aggregating Rs. 2.35 crores. The subsidy claims have, however, not been accepted by Government and hence these cannot be regarded as accrued income. The Committee's examination of the Airlines has revealed that of late the number of uneconomic routes operated by it has increased vastly, the cost of operation has steadily escalated, the capacity utilisation has touched a new low and the quality of service leaves something to be desired. The Committee hope that on the basis of this Report steps would be taken to improve the working of the Airlines by bringing about effective cost control and optimal utilisation of aircraft besides satisfactory quality of service.

2. In terms of Section 9 of the Air Corporations Act the Airlines is required to act on business principles. It also follows from Section 34 of the Act that services otherwise than on commercial considerations can be established or continued only on specific directions of Government. However, the number of uneconomic routes operated by the Airlines has been rising. During 1980-81, 91 out of the total number of 117 routes were uneconomic in that these did not meet the entire operating cost, and the deficits on these routes were of the order of Rs. 34.93 crores. 28 routes did not meet even the direct operating cost. Only one service (Delhi/Lucknow/Patna/Gauhati/Imphal) has been in operation on a specific direction from Government. However, the Committee have been informed that though the Airlines did not want to operate certain routes informally Government want these to continue. The Committee are unable to resist a feeling that the Airlines is not being operated strictly in accordance with the Act. In a situation of under-utilisation of capacity it may be commercially justified to operate some routes on marginal costing basis in order to at least recover some part of the overheads, but there is no case for operating any route without recovering even the direct cost except for a brief period as a promotional venture, unless Government, in public interest, direct the Airlines otherwise. At present there is no detailed review of uneconomic routes at the Government level. The whole position, therefore,

calls for a review for appropriate action. The services which cannot at all be justified on commercial considerations but are desired by Government should be covered by directions under Section 34 of the Act. The directions given by the Government under Section 34 of the Act and the effect thereof should be published in the Annual Reports of the Airlines in future for information of Parliament and the public.

3. On representations from Indian Airlines seeking some rebate against excise duty as was given to private operators before nationalisation of airlines, Government constituted in 1964 a Civil Aviation Development Fund from which subsidy on uneconomic services was to be paid and expenditure on certain airstrips and ancillary facilities met. The Committee have been informed that as against the excise duty of Rs. 108 crores paid by the Airlines during 1964-81, the subsidy paid to it from the Fund was only Rs. 11.30 crores for a few uneconomic routes upto 1973-74 whereafter no payment was authorised. The Airlines has lodged claims for Rs. 13.12 crores for the period 1974-81. The Committee learn that the present thinking is that there is no need for a separate Fund and that subsidy as and when necessary could be paid directly making provision for it in the Budget. The Committee, however, feel that having regard to the totality of the objectives of the Fund, it will be advantageous to continue it and put it on a statutory basis on the lines of the Shipping Development Fund. This deserves careful examination. If, however, it is decided to abolish the CAD Fund the desirability of amending Section 34 of the Air Corporations Act to make provision for payment of subsidy without regard to the overall working results of the Airlines may be considered in view of the need of the Airlines to generate internal resources.

4. The Committee find that 5 out of 14 international services operated by the Airlines are uneconomic. The Committee do not find justification for operating uneconomic foreign services just to keep the Indian Airlines on the international civil aviation map. This requires to be gone into. Further, though international services are to be operated maintaining parity between the national carriers and foreign airlines, there is disparity between the Indian Airlines and the Ariana Afghan Airlines unfavourable to the former in regard to not only the number of services but also the passengers carried. Such disparities should be avoided.

5. The operating ratio (percentage of expenses to revenue) has gone up from 84.18 in 1976-77 to 92.80 in 1980-81. The cost of operation per Tonne kilometer has increased from Rs. 2.83 to Rs. 4.34. The overall aircraft capacity utilisation has come down from 70.5 per cent to 63.3 per cent. The duration of deployment of aircraft also has touched a new low in 1980-81. Clearly there is excess capacity not justified by traffic demand. In future aircraft acquisition should be so phased that there is no undue lag between availability of capacity and its utilisation. Further, scope for economy in operation should be identified to control the cost and steps should be taken to augment earnings by better marketing.

6. The Airlines fleet consists of Airbus (8), Boeing 737 (19), F. 27 (14) and HS 748(8) aircraft. Of these, the latter two are totally uneconomic. For every one hour of operation a loss of Rs. 4395 is incurred on F. 27 and a loss of Rs. 3280 is incurred on HS-748. Except to the extent these turbo prop aircraft are necessary for operating on certain sectors where jets cannot operate, these should be phased out early.

7. The Indian Airlines has spent about Rs. 2 crores during 1978-81 on repairing the damages caused by bird hits alone. The Airlines has suggested several steps to counter the problem of bird menace and some of these have been implemented. From the point of view of cost and safety of operation the problem has assumed serious proportions. The Committee desire that on the basis of periodic review of the position as promised to them, effective steps should be taken to minimise, if not altogether eliminate, this problem. These should include spray of insecticides and strict enforcement of Aircraft rules to keep the airport surroundings free from slaughter houses and garbage disposals.

8. The staff cost has jumped from Rs. 21.12 crores in 1974-75 to Rs. 39.03 crores in 1980-81. While it should be ensured that productivity is maintained and improved, it is also necessary to effect economies in cost. One such area where there seems to be possibility of economy is the deployment of cabin crew and the expenditure on outstation stay of cabin and cockpit crew. In this connection the Committee feel that if the facilities available in the public sector hotels are availed of there should be saving. Only when such facilities are not available recourse to private hotels should be taken. The Committee recommend that this should be made obligatory.

9. The commission paid by the Airlines to the booking agencies was Rs. 10.67 crores in 1980-81. The Airlines has appointed agents even in places where it has its own offices. The Committee suggest that the agency system may be critically gone into with a view to appointing public sector concerns like the Air India, I.T.D.C. eliminating the private agents as far as possible .

10. The fares were fixed in 1958 on a uniform basis in accordance with the recommendations of Air Transport Council constituted under Section 30 of the Air Corporations Act. Since then several distortions have crept in. The fare structure is different for different types of aircraft and sectors. The Committee feel that there should be a fresh review to evolve a scientific tariff structure not only for passenger but also for baggage, cargo and mail having regard to the various new factors that have emerged.

11. The Committee suggest that in a developing situation cargo earnings should not be viewed merely as incidental to the operation of passenger service and that tariff for carriage of mail should not remain un-related to postal rates.

At present the profitability on passengers, cargo and mail traffic is not worked out separately by the Airlines. The Committee see no reason why this could not be done. They suggest that in future on the basis of the average cost per tonne kilometer the cost of carriage should be worked out separately and compared with the earnings. The fare and freight structure should be so devised as to break-even as far as possible on each of the three distinct categories, *viz.*, passengers, cargo and mail and overall generate sufficient internal resources to meet to some extent capital expenditure.

12. Though under the Air Corporations Act the tariff structure of the Airlines should have prior approval of Government, the management offers discounts on fares and freight almost wholly on its own. Several discounted commodity rates and commercial promotional as well as non-commercial discounted fares have thus been offered by the management. There are as many as 17 promotional fares offered by the Airlines and these involve discounts upto a maximum of 50%. Most of these were offered after 1974. The Committee have reasons to believe that at least some of these have eroded the profits of the Airlines. The Committee suggest that discounts should at least be regulated in accordance with certain set criteria to be laid down by Government. There should be a periodic review of the operation of those which are justified on commercial grounds to see whether the anticipations actually materialise. This should be done at the Government level. Non-commercial discounted fares or freight should be introduced or continued only on specific directions of Government and there should be a system of subsidising the loss of revenue suffered by the Airlines on this account

13. Indian Airlines is a service enterprise. Its efficiency has to be assessed particularly with reference to the degree of consumer satisfaction that it could give. The Committee, therefore, spent considerable time in examining the punctuality of service, safety of service, passenger booking, catering service etc. Their examination has revealed that there is need for improving the quality of service in order to project a better image of the Airlines.

14. The despatch reliability of the Airlines ranged from 69.85 to 78.79 during the years 1979-81. Unfortunately the Committee did not get a reliable inter-firm comparison of performance in this regard. However, though there has been some improvement, the Airlines has come in for criticism on account of cancellation and long delays which are often not reported to the passengers in time. The delays and cancellations are partly attributable to the Airlines and partly to the airports, though to some extent these are also caused by the vagaries of weather. There has to be a coordinated effort both by the Airlines and the DGCA/IAAI, at a fairly high level to eliminate causes that contribute to cancellations/delays. Where these are caused by negligence prompt action should be taken against persons held responsible in order to act as a deterrent.

15. If delays/cancellations become inevitable, the least that is expected of the Airlines is to ensure that the passengers are promptly informed so as to avoid any inconvenience to them. However, unreliability of public telephone system and inadequacy of private communication facilities of the Airlines have rendered it difficult, if not impossible. It was only at the instance of the Committee that the entire gamut of the requirement of the communication facilities for the Airlines was reviewed with the Wireless Adviser and some progress made in providing a network, both for air-to-ground and for ground-to-ground communication facilities. The Committee desire that whatever is possible in this direction should be done without loss of time.

16. During the period 1976-81, there were as many as 15 accidents involving Indian Airlines aircraft. Of these, 6 were fatal. In the year 1979 alone, there were 2 fatal and 4 non-fatal accidents. The record of the Airlines in regard to accidents compares poorly with that of a number of foreign airlines. Several factors affecting the safety of operations of airlines in our country were highlighted in the press. These included lack of proper visual aids for navigation and landing and slums spreading near airports. Clearly the airports facilities need to be augmented. In this connection it is surprising to note that considerable funds placed at the disposal of the Directorate General of Civil Aviation were allowed to lapse from year to year. The Committee trust that in future there will be no delay in taking up and implementing schemes for providing minimum necessary facilities in all the airports, to ensure safety of operations. The problem posed by the spreading slums near the Bombay airport should also be solved early in concert with the State Government.

17. Though the Indian Airlines stated that there had been no specific case of infringement of safety rules and regulations, the Indian Commercial Pilots Association in their memorandum submitted to the Committee alleged lack of vigilance on the part of both Indian Airlines and DGCA in enforcing safety rules for flying, maintenance and other associated requirements. The Committee are also disturbed to learn from the press that there were overloading of aircraft with potential threat to safety of operation. In one case (February 1982) 7 passengers were carried in excess and accommodated in the cockpit, galley and even in toilets. The Directorate General of Civil Aviation is reported to have initiated proceedings under the Aircraft Rules. There is clearly need for greater vigilance by the top management of the airlines and the DGCA to avoid recurrence of this phenomenon.

18. The Committee commend the idea of having an independent Air Safety Cell in government. As the negligence on the part of both the Airlines and the airport authorities under the control of the DGCA/LAAI could result in accidents, any enquiry into the accidents and review of safety arrangements could be handled satisfactorily only by an agency independent of all concerned. The Committee have been informed that in USA there is an independent body, National Transport Safety Board.

19. As pointed out earlier, there is a divided responsibility between airports and airlines authorities in the matter of ensuring efficiency of service and safety of service. According to the Airlines, inadequate airport facility was one of the causes for delays in flights. The catering arrangements in the airports were also stated to be inadequate. There also appears to be lack of coordination in the matter of determining airport layout so as to be conducive to efficiency and economy of operations. Taking all these factors into account the Committee have come to the conclusion that perhaps it would be better from the point of view of accountability that the Airlines is allowed to maintain the domestic airports/terminals. Such a practice is stated to be in vogue in some other countries. Though the Ministry seems to have some reservations, the Committee feel that in the event of handing over the maintenance of the domestic airports/terminals the existing staff of the DGCA/IAAI could be transferred to the Airlines and the IAAI could continue to maintain the international airports terminals. The responsibilities of the Airlines for the maintenance of the domestic airports/terminals could be the same as those of the IAAI in relation to international airports, the DGCA continuing to exercise such functions as are being exercised in relation to the international airports. This question should, therefore, be considered seriously.

20. There have been a lot of complaints from passengers that though O. K. tickets were issued seats were not available on flights. A typical instance that came to the notice of the Committee through the press was that 20 passengers holding confirmed tickets were refused seats and some others accommodated out-of-turn in Calcutta-Delhi flight (IC-263) on 2 October 1981. Surprisingly, 16 out of 20 passengers accommodated out-of-turn turned out to be Airlines staff on leave and their dependents. Thus, the Airlines staff seem to serve themselves better than serving the public. The Committee recommend that in such cases deterrent action should be taken.

21. The passengers are put to a lot of inconvenience by the agents of foreign airlines issuing O. K. tickets covering the connecting Indian Airlines flights without receiving confirmation. The Indian Airlines has made out a case for opening offices abroad in order to handle passenger bookings. Pending a decision on this, the Committee would suggest that Air India should be directed to handle the bookings for Indian Airlines abroad.

22. In the absence of a real time computer system it appears that the passenger bookings cannot be handled satisfactorily. A proposal for acquisition of a computer is pending with government. The Committee hope that an early decision will be taken in the matter. Incidentally, the Committee suggest that there should be arrangement for booking round the clock atleast in metropolitan cities in selected city booking offices.

23. The quality and the quantity of the foodstuffs served on board are not satisfactory. The Committee, however, note that after they examined the Indian Airlines the quantity has been improved. The Committee would expect qualitative improvement also.

24. Besides efficiency and safety of service it is also necessary to ensure comfort of travel for the passengers. In this connection the Committee note that the leg space in Boeing-737 aircraft is not adequate inasmuch as the aircraft accommodates 126 passengers with a pitch of 31"/30" as against the original specification of 115 passengers with the pitch of 33"/34". The Committee suggest that the possibility of improving the leg space should be explored.

25. The Committee are of the view that flight catering should be entrusted to public sector organisation wherever possible. In this connection they would refer to the arrangement at Calcutta airport where only about 50 percent of flight catering is entrusted to the ITDC. The Committee have received an impression that there is some vested interests operating against entrusting the flight catering entirely to the ITDC. There have been a few complaints of quality of ITDC supplies and these complaints have the appearance of foul play. The Committee note that one such complaint has already been referred to the CBI for investigation by the ITDC. In any case the visit of a Study Group of the Committee to the flight kitchen operated by a private contractor near Calcutta airport showed that the contractor was ill-equipped for satisfactory service and the standard of the facilities was nowhere near that of the ITDC. In the circumstances, the Committee desire that the entire flight catering at Calcutta should be entrusted to ITDC.

26. Indian Airlines being a service enterprise there has to be a constant interaction with the users to make it continuously responsive to their needs and suggestions. Though there was an advisory Committee constituted in terms of Section 41 (1) of the Air Corporations Act prior to 1971, the Act has been amended to do away with the Advisory Committee. Even though it is no longer a statutory requirement, the Committee feel strongly that there ought to be an arrangement for interaction with the passengers. For this purpose informal consultative councils may be set up at various regions without delay.

27. The efficient functioning of the Airlines depends on the effective coordination among the Airlines, Air India, DGCA, IAAI, DGP&T etc. Although the Air Corporations Act contemplated constitution of an Air Transport Council *inter-alia* to bring about this coordination, the Council which was set up in 1955 was asked only to study the tariff structure and was sound up in 1962. The Committee recommend that the Council should be revived and its functions should include effective coordination to ensure efficient discharge of responsibilities by the Indian Airlines and Air India.

28. The Committee feel that it is advantageous to have the Chairman of the ITDC on the Board of Indian Airlines and Air India notwithstanding the fact that the Director General, Tourism is associated with these Boards.

29. The Committee regret to notice that there was no meaningful review of the performance of the Indian Airlines by the Ministry so far. Hereafter there should be performance reviews at the level of Secretary of the Ministry once a quarter. There should also be an independent review of the annual accounts before the Annual Report is laid before Parliament. There should also be an effective system of monitoring the performance and analysing the data associating the Internal Finance Wing in the Ministry.

30. It is neither conducive to the autonomy of the Indian Airlines nor does it make for an independent control over the Airlines to have the Secretary, Ministry of Tourism and Civil Aviation on the Board of the Airlines. The Committee have clearly expressed themselves against such a practice from time to time and particularly in their 20th Report (1978-79). It is surprising that lately the Secretary has been appointed a Director of the Indian Airlines. The Committee strongly feel that it should not be continued.

NEW DELHI;

April 20, 1982

Chaitra 30, 1904(S)

BANSI LAL

Chairman,
Committee on Public Undertakings.