

**TWENTY-FOURTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS**

(1986-87)

(EIGHTH LOK SABHA)

**AIR INDIA—AGENCY SYSTEM & PASSENGER SERVICES
(MINISTRY OF CIVIL AVIATION)**



Presented to Lok Sabha on 24 April, 1987

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**LOK SABHA SECRETARIAT
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COMMITTEE ON PUBLIC UNDERTAKINGS

(1986-87)

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*Elected w.e.f. 22-8-1986 in the vacancy caused by appointment of Miss Saroj Khaparde as Minister of State.

INTRODUCTION

I, the Chairman Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Twenty-Fourth Report on Air India—Agency System & Passenger Services.

2. The Committee took evidence of the representatives of Air India on 21 November, 1985, 24, 25 and 26 February, 1986, 8 March, 1986 and of the representatives of Ministry of Civil Aviation on 19 March, 1986 and 12 June, 1986.

3. The Committee on Public Undertakings (1986-87) considered and adopted the Report at their sitting held on 10 April, 1987.

4. The Committee wish to express their thanks to the Ministry of Civil Aviation and Air India for placing before them the material and information they wanted in connection with examination of Air India. They also wish to thank in particular the representatives of the Ministry of Civil Aviation and Air India who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

K. RAMAMURTHY,
Chairman

Committee on Public Undertakings

NEW DELHI ;
April 15, 1987

Chaitra 25, 1909(S)

AGENCY SYSTEM

A. IATA Agents and GSAs

Sales Agents, namely, IATA Agents, reportedly are an integral part of the airline industry's distribution system which also includes General Sales Agents and Airlines' own network of offices for the promotion and sale of air transportation. Agents in various cities of the world are appointed by Air India in terms of the Resolution 800 of the International Air Transport Association (IATA). Each agent serves as a revenue generating centre, a service point for passengers' travel on Air India and makes it convenient for prospective travelers to approach any one of these outlets convenient to them based on their location. Air India deals with all IATA agents once they are IATA approved. IATA approved agents do not effect sales on a particular Airline but would sell and generate traffic on all Airlines which have appointed them. In India alone there are 332 IATA agents spread throughout the country.

1.2 Commission to be paid to IATA approved Agents is laid down in the said IATA Resolution 800 and is equivalent to 9 per cent of the total sale, less refunds. It has been stated that depending on the market environment and competitors' pricing practices in various markets, it becomes necessary to fund the agency for offering discounts in the market place on Air India's behalf.

1.3 Apart from IATA Agents, there are non-IATA Agents who have not sought the approval of the IATA but work as the sub-Agents of IATA Agents. As a policy Air India reportedly does not normally deal with non-IATA Agents on direct commission basis.

GSAs

1.4 In addition to the IATA Approved Agents, General Sales Agents (GSAs) are also appointed under IATA Reso. 876 for areas and territories where it may not be possible for the principal to establish its own offices for various reasons. It may also be necessary to appoint a GSA to ensure that certain ethnic traffic resident in the territory concerned is catered to specifically and that a fair market share which should come to Air India is, in fact, actually obtained by Air India. A GSA is, therefore, appointed to ensure that an aggressive sales campaign is conducted with a view to ensuring the airline's share of the market.

1.5 The Committee have been informed that in certain cases such as the Gulf areas, though Air India has its own offices, there is no option but to appoint a GSA, such GSA being owned by the Ruler or his relatives and therefore having a complete control of the entire market in the area. Besides the above, it is sometimes mandatory under local law to appoint such GSAs for the territory concerned.

1.6 There are two types of GSAs appointed by carriers, viz. :—

- (a) airline parties; and
- (b) non-airline parties

1.7 In terms of the provision of the IATA Resolution 876 governing the appointment of General Sales Agents, GSAs are entitled to an agency commission of 9 per cent on their sales turnover plus 3 per cent overriding commission for Passenger transportation. (2½ per cent overriding commission for cargo transportation). The Commission structure for GSA is reported to be standardised worldwide. Such other commissions as may be paid to the agents are represented by payments to them for discounting of fares on behalf of the airlines.

1.8 The Committee were informed by Air India that it had appointed 76 GSAs in the entire system. Of these, 39 GSAs are Airline parties and are not holding Air India documents. The other 37 GSAs are private parties.

B. Market Practices

1.9 In June, 1981, a group was set up by IATA to inquire into the market practices followed by airlines in different markets and to report on whether the IATA Conference Agreements on fares and rates and other Government approved tariffs/conditions were being strictly adhered to. This group was called the Fair Deal Monitoring Group.

1.10 This group studied several markets and reported that IATA Agreements were being violated in most markets. Direct discounting was widespread. Also, payment of excessive and unauthorised commissions to Agents was almost standard practice. Therefore, in order to improve the yields and increase airline revenues without increasing tariffs, the group recommended that greater tariff integrity needed to be implemented through yield improvement programmes in various markets. These programmes would work towards ensuring that Airlines charged the published and approved fares and rates including commission structures and adhered to the conditions governing the traiffs.

1.11 This recommendation was supported by the Chief Executives of IATA Member Airlines at the IATA Yield Improvement Conference held in July 1982. It was also endorsed at the IATA Annual General Meeting in October, 1982.

1.12 Accordingly, in several markets, Yield Improvement Programmes were set up either at the initiative of the national carrier and under the supervision of the local Board of Airlines or through Government initiative.

1.13 At the IATA Annual General Meeting held in Delhi in October, 1983, the Chief Executives of IATA airlines agreed to personally supervise tariff integrity of their own airline in the markets served by their company. The resolutions also included an understanding to consult with their

Governments concerning implementation of the Fair Deal Monitoring Programme.

1.14 Pursuant to these initiatives, many airlines reportedly initiated local Yield Improvement Programmes in various regions acting through local airline representative groups. The national carriers play a leading role in this programme.

1.15 In India, Yield Improvement Programme in respect of passenger traffic was implemented with effect from April, 1982. The programme was basically geared towards practical reforms in the Indian Market tariffs in line with approved tariffs. The Committee have been informed that this programme has been fairly successful and better market order prevails today in India. Steps are reportedly being taken to improve the effectiveness of the programme.

1.16 The Committee observed that as shown elsewhere in this report in the very same year of launching the Yield Improvement Programme in July, 1982, Air India paid incentive commission to its London GSA over and above the approved commission structure. Asked to explain why Air India was continuously resorting to such practices even after July, 1982 and whether Air India reported the matter about the violation of tariff integrity by other Airlines to the Fair Deal Monitoring Group, a representative of Air India said :

“Whereas the Air India paid a maximum override commission of 10 per cent to its GSA in 1982|83, the other Airlines active in the U.K.|Indian market were paying commissions ranging from 15 per cent to 32 per cent to their wholesalers and GSAs.”

The witness added :

“The question of going to the Fair Deal Monitoring Group in writing would have no meaning. Verbally it is discussed. The Airlines community know what the others are giving.”

1.17 Explaining the effectiveness of the Fair Deal Monitoring Group, a representative of Air India said :

“This Fair Deal Monitoring Group has been set up to find out as to which are the Airlines that do not follow the agreed fares. It has its own regulations..... If the Airlines want it to intervene and do something they will do something. It is a voluntary type of organisation. It does not have any authority over the organisations. But one thing is certain that certain amount of discipline is enforced by it.”

1.18 On the question of involvement in unethical practice of giving discounts, the M.D. Air India said :

“Air India will have to function on commercial basis..... I think, commercial dictates require commercial dealing in the market.”

1.19 The Committee wanted to know whether Air India would agree that discounts on approved fares through payment of additional incentive commission to GSAs cannot be legitimately reported upon under any legitimate head in the accounts. The D.M., Air India agreed and said :

"The point you have made, I think, is correct."

1.20 All payments relating to extra incentive commissions and discounts on fares are termed as 'SPE' (Special Promotional Expenditure) and these amounts are reportedly debited to revenues, i.e. the actual revenues generated are reduced by an amount equivalent to the SPE.

1.21 Asked during evidence whether the discount on fares was actually passed on to passengers or whether it was retained by GSA itself partly or in full, a representative of Air India said :—

"I cannot categorically say that it would be passed on to the passengers. But the level established is not much. We know the passengers get much more than that from the other Airlines."

1.22 Asked what was the reaction of the Ministry to the unethical practice of giving discount, incentives etc. by Air India like other airlines, the Civil Aviation Secretary stated :

"I think the Ministry's reaction is and I have been in this Civil Aviation Ministry for some time now and the more I see the more I feel that if we have to exist and if the corporation has to function on purely a commercial basis, then they have to adopt all the practices which others adopt. These practices cannot be adopted through the normal sales organisation."

1.23 Asked to indicate the percentage of Government bookings in the total traffic and whether the GSAs give commission to Government bookings also, the witness said :

"If it comes to Air India, the question of commission does not arise. On the Government bookings there will be no commission..... There is a Government direction to the effect that no Government Department should go through any other agency, but the Air India."

1.24 On being pointed out that when the Government owns Air India, whether their employees when travelling, pay more than an ordinary passenger, the MD, Air India conceded :

"Yes, they are paying much more than an ordinary passenger."

1.25 On enquiry whether Air India received any complaint about the Air India's GSAs in various regions of the world during the last five years,

a representative of Air India replied :

"I cannot make a sweeping statement that we have no received any complaint. By and large there may not be any complaints. I cannot make a categorical statement on this."

The witness further said :

"Of course, there is some complaint about the GSA by another GSA about the policy or something else."

1.26 Asked what was the logic of having a GSA in Northern India and not in Bombay, the Civil Aviation Secretary said :

"It depends on the market situation. The type of under-cutting which is available in Delhi sector is not to that extent available in Bombay sector."

1.27 When the Committee pointed out that Air India does not have any GSA in the USA, the Civil Aviation Secretary said :

"There is a local restriction under which GSA cannot be appointed in USA."

A representative of the Ministry added :

"Under ATC—the Air Traffic Conference—no GSA is encouraged in USA."

1.28 In this connection, the Secretary, Civil Aviation further said :—

"In West Germany we do not have any GSA. And in a number of countries we do not have GSA. We work through our sales organisation. It depends upon the market situation."

1.29 The Secretary, Civil Aviation informed the Committee during evidence on 12-6-1986 as follows :—

"Regarding Hindustan Travels, they are the GSA in Northern India and earlier they were the GSA for U.K. also. As per the terms of the notice issued to them, their services as GSA for U.K. stand terminated with effect from 30th April, 1986. So far as Northern India is concerned, their GSA-ship continues in the domestic market. We have not disturbed them as far as Northern India is concerned."

1.30 Asked how HTS is allowed to retain the GSA in Northern India (in the name of Janata Travels) while the GSA was terminated in London, the Secretary, Civil Aviation said :

"We had some complaints against GSA, London, but there were no such complaints against the GSA here."

1.31 The Committee on Public Undertakings (1978-79) had made the following recommendations in their 53rd report :—

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

The Committee had further observed :—

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

1.32 Agents in various cities of the world are appointed by Air India in terms of the resolutions of the International Air Transport Association (IATA). Air India has reportedly appointed 76 General Sales Agents (GSAs) in the entire system out of whom 39 are airline parties and the rest non-airline parties. The Committee’s examination of Agency System with particular reference to Air India’s London GSA has brought to light some serious irregularities and loopholes in its working. These are discussed in the subsequent paragraphs.

1.33 The Committee do not approve of excessive commission over and above the commission structure prescribed by IATA being paid to GSAs for offering discounts in the market on Air India’s behalf. The Committee are distressed to find that the discounting practice introduced in the wake of fierce competition has opened floodgate of corruption, mal-practices and irregularities as dealt with in subsequent chapter of this Report. Such practices not only violate IATA agreements and result in lower yields to the Corporation but provide enough scope for unhealthy collusion of Air India officials with the GSAs who are then enabled to defraud the Corporation of huge sums in the form of commissions and other benefits for the agents and themselves. Admittedly, it is not certain whether the discount is really passed on to passengers in full or in part particularly during the peak seasons. Besides, such payments cannot be legitimately reported upon under any legitimate head of accounts. The Committee are perturbed to know that this practice has been going on with impunity and with the tacit approval of the Ministry. The Civil Aviation Secretary’s attempt to justify such payments on commercial considerations is hardly convincing. The Committee desire that instead

of Air India being forced to resort to such unethical practices the matter should be taken up with the Fair Deal Monitoring Group of IATA for effective implementation of tariff integrity measures by various airlines and also to bring GSAs within the ambit of IATA regulations so as to prevent GSAs from being used as conduits for offering discounts by airlines. Simultaneously, the matter should be taken up with the concerned governments for enlisting their cooperation in the matter and if need be, the fare structure may be rationalised depending upon the market conditions resulting from inter-airline competition.

1.34 The Committee have been informed that under the Air Traffic Conference, no GSA is encouraged in USA. In India, the need for having GSAs, according to Civil Aviation Secretary, is due to undercutting of fares by foreign airlines particularly in Delhi sector. Ironically, Air India claimed that better market order prevailed in India today after launching yield Improvement Programme in April, 1982. The Committee are at a loss to understand why Government have not so far considered the need for having a legislation to prohibit undercutting of approved fares and to ban appointment of non-airline parties as GSAs within our country, as is done in USA with a view to improve the effectiveness of the Yield Improvement Programme and to eliminate unethical practices and also to obviate unhealthy competition among airlines. The Committee desire that the Government should take immediate action in this direction.

1.35 The Committee deplore that the person who committed grave irregularities and malpractices and whose services as GSA were terminated in London has been allowed to continue to function as GSA for Northern India in the name of Janata Travels. The Committee were astonished to hear from the Civil Aviation Secretary that no complaint has been received against the GSA in Northern India. The Committee on Public Undertakings in 1979-80 and 1980-81 had recommended that there should be a thorough probe into the appointment and performance of Janata Travels, the GSA in northern India in view of complaints. Nothing has been done so far in this matter. The whole thing gives rise to suspicion that officials are still hand in glove with the GSA. It is Committee's firm opinion that a thorough review of the working of Janata Travels with a view to ascertain as to how far it has helped Air India is called for.

(II)

LONDON GSA—HTS

A. *Over payment*

Hindustan Travel Service (HTS) has been Air India's GSA at London since 1973. Taking cognizance of the controversy raised in the press and in Parliament over the excess payment of Commission made to HTS, the Committee examined the matter at length. The main issue raised in the press reports related to over-payment of Rs. 8.5 million in the matter of incentive commission to the HTS by Air India's London Manager.

2.2 It transpired during the Committee's examination that the matter was subjected to examination by two successive Chairman of Air India, by a special internal audit, by an Enquiry Committee constituted by the Corporation and also by the Chief Vigilance and Security Manager (CV & SM) of Air India.

2.3 In his letter written to the Ministry on 10th January, 1984, the then Chairman-cum-Managing Director of Air India, Shri Raghu Raj defended the payment made to the HTS and also various other decisions taken by Air India's London Office in relation to the GSA. Cap. A. M. Kapur who succeeded Shri Raghu Raj as Chairman of Air India was however, vehemently critical of the whole issue and pointed out a number of mal-practices committed by the HTS and brought out the irregularities noticed in London Office in his reports submitted to Government in December, 1984 and in February 1985. The Enquiry Committee constituted by Air India (with Shri V. R. Kulkarni, Director of Finance as Convenor) with a view to determine whether the over-payment to the GSA was on account of failure/inadequacy in the system or laid down procedures in settling the incentive claims also pointed out a number of lapses in its report submitted on January 10, 1985. (The Enquiry Committee also submitted a supplementary report on January 18, 1985). These apart, the Chief Vigilance & Security Manager of Air India also conducted an enquiry at the instance of the Central Vigilance Commissioner and submitted his report on 14th June, 1985. His report also established a number of allegations reported in the press.

2.4 According to the press report dt. 26-10-1983 Air India paid Rs. 8.5 million to M/s. Hindustan Travel Services, GSA-London by way of incentive commission over and above the normal commission of 12 per cent simply to redeem a promise made by a local Air India Manager without prior written permission of the Commercial Department etc. The Commercial Department regularised this overpayment with retrospective effect after the financial year was over.

2.5 Describing the allegation as mischievous the then CMD of Air-India Shri Raghu Raj stated in his letter written to the Ministry on 10th January, 1984 as follows :—

“The commission structure established for the GSA in London was not only necessitated by the competitive forces prevalent in the UK market but is in keeping with the marketing strategies adopted by other airlines and by Air India elsewhere in the world; whereas for the UK Region, the percentage of gross incentives to gross revenues (Passenger) for 1982/83 was 13 per cent, the corresponding percentage for Canada was 17 per cent for Europe 34.5 per cent, for Australasia 24.5 per cent for S.E. Asia 39.2 per cent and for the Far East 51.5 per cent. It is clear, therefore, that the decisions taken by Air India in formulating the GSA's commission structure in London were based on sound commercial judgement and regulated in accordance with commonly applied principles not only within Air India but within the airline industry. In the circumstances, the allegation that Air India had to pay Rs. 8.5 million to its GSA because of a “promise made by AI's London Manager” can only be described as mischievous.”

2.6 Asked to give the details of the overpayments allegedly made to the GSA, Air India furnished a note, the extracts of which are given below :

“The main source of Air-India's revenues in U.K. market was from the Indian ethnic community. Whilst, for some time, the business was going on smoothly, in early 1980, with the progressive growth in capacity offered by airlines like Gulf Air and Kuwait Airways and the European carriers, the competition in the U.K. market had intensified progressively, leading to under-cutting of fares through GSA's and wholesalers. The rate of commissions given in 1983 by various airlines in addition to the normal commission was reported to be in the range of 9.5 per cent to 32 per cent. Air India's failure to meet this competition effectively resulted in a decrease in the passenger revenues from the UK market in 1981-82.

In this background, the Manager, London filed with the Headquarters of Air India an incentive on a graduated scale in respect of Government directed fares on the UK-India sector sales made by the GSA in May 1982 for the financial year 1982-83. The Manager-London, had several discussions with Headquarters. In June/July 1982, the Headquarters, fixed the incentive Commission for the GSA on promotional fares at 1.5 per cent to 7 per cent depending upon the revenue contribution.

Towards late August 1982, Manager-London made out a case that as a result of the industrial action and subsequent strike by the Staff of the London office, Air India's revenue for the first two quarters of 1982 had been adversely affected.

He felt that in order to recoup some of the losses and to register an increase in the coming months, it would be necessary to increase productivity by offering additional incentives to the GSA. He mentioned that the GSA had asked for an incentive of 11 per cent in addition to the 7 per cent already approved in July, 1982. The Manager-London, however, recommended that this was too high a figure and the additional productivity incentive could be fixed at 2 per cent to 8 per cent depending upon the total productivity starting with Rs. 7 crores.

The matter was, further discussed when the Manager, London visited the Air India Headquarters in October, 1982, and was authorised, in supersession of all earlier correspondence on the subject, a fresh incentive slab of a maximum of 5 per cent based on a ceiling of Rs. 10 crores. However, in this case, the incentive payment was for total productivity whereas the incentive scale established in June/July 1982 was for promotional fares only. This is where reportedly a misunderstanding in interpretation arose. The Manager is reported to have gone back with the understanding that the GSA was entitled to a 7 per cent incentive on promotional fares plus a 5 per cent incentive on total productivity, whereas the Headquarters had in fact cleared only the latter.

Due to the strike in the London office in July, 1982 work had been disrupted with the result that the GSA's sales reports and incentive payments were not being checked regularly. In consequence, his reports for the period April/August, 1982 were submitted to the Central Accounts Office at Santa Cruz as late as February 1983. It was in May 1983 that the Accounts Departments raised the issue of incentive payments to the GSA and reported the matter to the Commercial Department indicating that the GSA's claims were being settled on the basis of the 7 per cent commission slab approved for promotional fares plus 5 per cent on total productivity.

The discrepancies between the authorisation granted by the Commercial Department and the understanding of the Manager London were discussed with the Regional Director, UK, Manager London and the GSA in June, 1983 when the Commercial Director and Commercial Manager (Marketing and Sales) visited London for the Regional Sales Conference. During the course of the discussions, evidence was produced to indicate that the competitors of Air India were in fact offering commissions higher than that being paid to the GSA of Air India. It was also established that the GSA had been operating on the basis of a commission of 7 per cent on promotional fares and 5 per cent on total productivity. Keeping in view these facts, with the approval of the Chairman-cum-Managing Director, the commission structure was revised and approved at 1.5 per cent to 10 per cent depending on the

annual productivity level. This revised commission structure was made applicable from the 1st April, 1982."

In this regard, Air India stated further :

"In 1982-83, the total productivity of the GSA in London was Rs. 19.88 crores of which Rs. 15.39 crores was revenue from ethnic traffic. On this productivity if the GSA had been paid incentive commission in accordance with the seven per cent structure, approved in July 1982, he would have been entitled to only 6 per cent commission on revenue from the Government directed fares amounting to Rs. 92.3 lakhs. If he had been paid commission on the basis of 5 per cent on total productivity as had been agreed to in October, 1982 he would have been entitled to a sum of Rs. 99.4 lakhs. Had the GSA been paid the Incentive Commission on the basis of the interpretation of the Air India's Manager in London, i.e. 7 per cent on ethnic traffic and 5 per cent on total productivity, he would have received a total commission of Rs. 191.7 lakhs. As against this, the GSA has been paid a sum of Rs. 198.6 lakhs in conformity with the final commission structure approved in June 1983. It may be pointed out here that settlement with the GSA had originally been finalised in accordance with the interpretation of the Manager, Air India, London, but were subsequently readjusted to conform to the structure approved by Air India's headquarters."

2.7 It is noted from the written information furnished to the Committee that the Transport & General Workers' Union representing about 360 employees in Air India's local establishment in London went on strike from 2nd July, 1982 to 4 August, 1982. The services of 90 employees who had not reported for duty on 4-8-1982 were terminated by Air India.

2.8 The Vigilance enquiry conducted by CV & SM of Air India revealed that the overpayment made, before issuance of approval of the Commercial Director on 26-6-83, to M/s. Hindustan Travel Services was as under :

(i) Claimed more incentive by committing various irregularities as indicated by Audit.	Rs. 25.84 lakhs
(ii) Overpayment contrary to approved incentive filings	Rs. 72.50 lakhs
	<hr/>
Total :	Rs. 98.34 lakhs
	<hr/>

2.9 The passenger revenue of the U.K. region since 1979-80 has reportedly been as follows :

Year	Net Passenger Revenue	(Rs. in crores)	
			GSA's contribution
1979-80	21.52		—
1980-81	21.44		15.00
1981-82	20.68		12.51
1982-83	23.50		19.88
1983-84	23.30		20.05
1984-85	26.78		N.A.

2.10 The Committee have observed that the volume of traffic carried in India:UK route during 1982-83 was even lower than estimated in spite of the huge incentive commissions to the London GSA and as against a planned operating profit of Rs. 0.06 crores, this route incurred an operating loss of Rs. 4.03 crores in 1982-83.

2.11 Pointing out that the whole issue appeared to have surfaced only after the matter was reported upon in the press, the Committee enquired whether there was any internal check or system of review which would automatically bring lapses and failures to the knowledge of the management. The M.D. Air India said in evidence :

“The press report appeared in October, 1983, Air India had looked into these matters in September 1983 prior to the press report.”

2.12 The Committee noted that the Central Vigilance Commission vide its O.M. dated 29-11-1985 had advised the Department of Civil Aviation to critically examine the incentive scheme as regularised by the Commercial Director—Shri H. M. Kaul to find out if it was based on “sound commercial judgement”. Asked what action was taken by the Department on this matter, a representative of the Department of Civil Aviation informed the Committee that a Committee was constituted sometime in the month of March, 1986 to enquire into this matter. The witness informed the Committee further (on 12-6-1986) :

“The Committee consists of myself and another officer of the Department of Civil Aviation and I have already conducted an inquiry and submitted a report. It is an interim report and the final report will be given only after the second round of discussion with the Air India officials in Bombay. . . . I have drawn up a programme of completion by the end of this month.”

2.13 About the findings in this report, the witness said :—

“This Report itself consists of two issues. The first is that the Vigilance Commission wanted to know whether there was any commercial judgement involved in giving certain incentives to the GSA, London. In the first place I found on investigation

that there were sufficient grounds to give certain incentives to the GSA."

Regarding the other issue, the witness said :

"On whether it should be given retrospective effect, I cannot formulate my view because certain papers were not available. So, I had to go once again to Bombay to see the papers and find out."

2.14 The Committee wanted to know the method of incentive payment to GSAs by Air India. In reply a representative of Air India explained during evidence as follows :—

"We specify the amount to be given as a discount or as a percentage. Hereafter, the commercial Department amends, as the case may be. The copies are forwarded to the accounts of the Regional Headquarters. After that, the plan is actually brought into effect. During the course of the year as the market changes, amendments are brought in and approved and are forwarded to the region concerned for implementation. Unlike in the case of other operations, in the case of Airlines we give tickets to the Agents. In this particular case, the GSA holds the Air India ticket stocks. It is regulated on the understanding we have and the Agent keeps selling these from time to time and there are periodical intervals during which the agent reports back to the Airline the total sales effected during that period minus the extra commission and minus incentives and makes the net cheque payable to Air India. Once this is submitted to Air India, it will go into details to see whether what is deducted is right or wrong. And whatever is wrong to be referred back to him for retrieval. This is the position for accounting. So, in other words, there is no payment from outside. He keeps the money back which he considers is payable to him. We subsequently check if it is payable to him or he has drawn any excess money."

2.15 Asked whether the incentive commission to the GSA's are approved by the Board, the M.D., Air India said :

"The procedure that has been followed over the years is that at the end of the year a report is presented to the Board showing the revenue earned in each region and the incentive given by the Air India."

2.16 Shri J. P. Sanger, Proprietor of HTS submitted a Memorandum to the Committee wherein he drew the attention to the following sequence of events :—

- (i) In August, 1983, the U. K. Correspondent of the Times of India (Mr. K. N. Malik) asked Hindustan Travels Service (HTS) for 4 free Air Tickets from India to London. HTS

refused on the grounds that only Air India has the authority to issue free tickets.

- (ii) Air India U. K. Regional Director (T. Degama) asked Hindustan Travels Service (HTS) to issue tickets for Malik family on credit. HTS paid for these tickets to Air India in normal routine and sent the invoice to Mr. Malik followed by a reminder on 6-9-1983.
- (iii) A series of malicious articles appeared in the September/October 83 Times of India (written of course by Mr. K. N. Malik) alleging collusion between the GSA (HTS) and Manager U. K. (AIR INDIA) to benefit the GSA through overpayment of commissions authorised by the Manager, U. K. (S. S. Kaul).
- (iv) After 18 months of reminders and one complaint to Chairman, HTS was reimbursed for Malik and Family tickets (17 months after HTS had paid Air India for these tickets) with personal cheque from Regional Director, U. K.

2.17 The Committee observed that the memorandum also contained wide references to secret deliberations of Air India Board.

B. Malpractices

2.18 Some of the irregularities pointed out by Audit team in their reports are mentioned below :

"Incentive claims claimed by GSA twice on the same documents, claims had been made on void tickets, claims were made without showing documents references or by giving wrong ticket references, claims were made on child/infant tickets, claims were made on documents of other carriers etc."

2.19 The other main points brought out by a special internal audit carried out in September, 1983 are indicated below :

- (i) The audit observed that the submission of support statements in incentive claims of the GSA were delayed and were not in conformity with laid down guidelines. Also several inaccuracies in the statements of the claims submitted by GSA were found on adoption of getting practices which are not in conformity with the IATA fares rules.
- (ii) The procedures for settlement of GSA's account were also not being correctly followed by the London office resulting in delays in updating of accounts with the GSA.
- (iii) The incorrect claims made by GSA related to application of fares lower than the IATA fares, non-application of fares rules, making claims towards commission where not due and incorrect application of discount levels.

- (iv) London office had applied certain fares which had not been approved by commercial Department.

2.20 Some of the major irregularities reported by Capt. A. M. Kapur were :—

- (a) Fraudulent financial practices by the GSA, like claiming excessive commissions, preferring duplicate claims, not surrendering commissions on refunds, charging incorrect fares etc.
- (b) Getting an unfair productivity incentive commission structure made for his personal gain.
- (c) Managing control of bulk seats on Air India flights and over-booking the passengers leading to a bad name to the Airline in the event of off loading of confirmed passengers and inconvenience to the passengers.
- (d) By having complete control of seats, elimination of other agents and tour operators in obtaining confirmed air passage for their clients.
- (e) Blocking of Air India funds by his refusal to make payments in time and indulging in dilatory tactics. This deprived revenue to Air India in time and also caused loss of interest.
- (f) Deducting incentive commissions at source in spite of instructions to the contrary.
- (g) Adopting dubious methods in use of documents.

2.21 Capt. A. M. Kapur's report also pointed out that a complete scrutiny fall lapses and financial loss to Air India is an uphill and laborious task and would take a long time for quantification.

Withdrawal of ticket stocks

2.22 The Committee noted that on an allegation regarding the withdrawal of ticket from IATA Agents in order to boost the business of the HTS, the then CMD of Air India, Shri Raghuraj had taken the following stand :—

"Since 1981-82, there has been a serious problem in the UK relating to delayed payments by IATA Agents. Accordingly, our UK office was under considerable pressure both from the Finance & Accounts Department and the Commercial Department to conduct a review of the productivity of the numerous IATA Agents who repeatedly failed to make payments on schedule and to determine whether or not these agents should continue to hold our ticket stocks. It was against the above back-ground that the decision to withdraw ticket stock from some agents in the UK was implemented in May 1983.

2.23 The Vigilance report observed that Shri S. S. Kaul, the then London-Manager issued orders on 20-4-1983 to withdraw all tickets stocks from the travel agents because their present productivity was not sufficient to hold these stocks. The Vigilance report however, points out from the available data that the ticket stocks were also withdrawn from productive "IATA Agents". Further, the Vigilance report observes that "the action of Mr. S. S. Kaul in withdrawing tickets from the productive agents was intended to divert the business to M/s. Hindustan Travel Services, to boost his business."

Bank Guarantee .

2.24 There was an allegation that in the matter of credit facilities VIP treatment was given to the GSA. While this credit period of one week was increased to two weeks and actually worked out to four weeks, the Bank Guarantee increased only marginally.

2.25 Commenting on the allegation the then CMD of Air India Shri Raghuraj had stated :

"The London GSA's reporting period is two weeks. In 1982|83, the GSA's net productivity on Air India was Rs. 1625 lakhs or Rs. 62.50 lakhs fortnightly, on an average. Since we hold a Bank Guarantee of £ 400,000 from the GSA (Rs. 60 lakhs approx.) and his fortnightly sales averaged Rs. 62.50 lakhs, the Bank Guarantee was sufficient."

2.26 The Vigilance report has indicated that M/s. HTS was deducting the incentive Commission from the Sales Report contrary to the agreement and that M/s. HTS was not submitting their Sales Reports regularly and thus the outstandings were piling up.

2.27 The outstandings from M/s. HTS were reported to be £ 928,173 as on 23-8-84 and £ 704,790 as on 30-5-85 (provisional). In addition to the actual outstandings, the vigilance report pointed out that there was a potential risk of M/s. HTS holding the current sales proceeds and the ticket stocks 6000 to 8000 per month. Drawing conclusion from the above, the Vigilance report stated :

"It would be clear that M/s. HTS owe large amount of money to the Corporation but against all these risks the Bank guarantee available to Air India as a recourse is a very paltry amount of £ 4000,000/- which, despite efforts has not been increased by M/s. HTS."

2.28 As regards the reporting period by GSAs, a representative of Air India informed the Committee during evidence :

"According to the IATA regulations the entire Americas is Conference Group No. 1, Europe and upto India is traffic Conference No. 2 and India and the Far-east is conference No. 3. IATA decided that all agents operating in conference group Nos. 1 and 3, that is Americans and India and beyond should

report every fortnight. In respect of conference area 2-Europe and Africa the payment is made on monthly basis, that is, for the whole month the payment is made next month."

2.29 After Chairman, A.M. Kapur's report was considered by the Board, the Bank guarantee of the GSA was reportedly raised from £400,000 to 700,000 and the reporting period reduced to 10 days. Air India Board was informed on 12-7-85 that the reporting period of the GSA could be restored to 15 days only if the bank guarantee is increased £one million by the GSA.

2.30 Asked whether there was any clause in the GSA Agreement which permitted Air India to increase/decrease the bank guarantee to be given by the GSA, it is stated by Air India in a written reply that there is no clause in the standard GSA agreement for provision of bank guarantee by the GSA to the airlines. At the time of appointment of GSA, the question of bank guarantee was discussed and the quantum of guarantee was decided subject to review from time to time by the principal with reference to the productivity of the GSA.

2.31 The Committee wanted to know whether in the absence of any clause in the agreement providing for raising the bank guarantee by GSA, it could not be construed that Air India was unilaterally pressuring GSAs to raise bank guarantee and there was chance of that being declared as null and void by the court. Referring to the HTS, a representative of Air India replied :

"Here in this case there is no cause for legal action because the bank guarantees have been extended from time to time and he is complying with our requests."

C. Responsibility for lapses

2.32 The Committee noted from the findings of the Enquiry Committee constituted by Air India that although there was an established procedure for approval of incentives, (a) there was delay in approval of proposed incentive levels; (b) the approved incentives were varied from time to time and the guidelines received by Manager-London created confusion about the exact levels of incentives, and the Commercial Department had to issue approvals ex post facto and (c) final approvals came almost 3 months after the completion of the financial year on ex post facto basis and at levels, some of which were not asked for by Manager-London.

2.33 Holding the Manager-London (Shri S. S. Kaul) and the Regional Director-U. K. (Shri F.E.da Gama) responsible for the lapses, the Enquiry Committee concluded as below :

"Despite specific instructions laying down the procedures to be followed by all concerned, these procedure were not always totally followed and particularly the Manager-London failed in not sending the approved incentive levels to Accounts in

good time. He also took over the responsibility of issuing refund orders, a function which was that of London Accounts. It would appear that instead of doing this, the Manager-London certified the refund orders himself. The Manager-London, however, had in December, 1982 indicated that his office had not verified in detail the incentive claims and there were mistakes in the claims. And at the same time he continued to authorise issue of Refund Orders without deducting amounts for such mistakes.

The RD-UK who was responsible for all matters concerning the UK region and much more so, for the implementation of marketing plan and payment of the incentive commissions, did not appear to have seriously concerned himself with this aspect. In fact, it is the sad view of the Committee that the RD-UK allowed the matters to drift and despite specific instructions did not extend himself to ensure that all was in order and that instructions were being followed. Besides this, the Manager-London who in spite of his plea of serious staff shortage and pressures of the industrial unrest in London as an excuse, took upon himself additional responsibilities without following laid down procedure."

2.34 According to the Vigilance report Shri S. S. Kaul, the then Manager-London was responsible for—

- (i) Flouting proper channels and rules and approaching the Commercial HQs directly ignoring the Regional Director-UK to get the commission sanctioned at higher rates.
- (ii) He had accepted the claims of M/s. HTS without verification when in fact it was brought to his notice by the sub-ordinate staff that there were many discrepancies in their incentive claims but he issued Refund Orders contravening the instructions issued by the Commercial Director and the Director of Finance. The issuance of Refund Orders is the function of the Accounts.
- (iii) He had paid incentive commission at higher rates to M/s. HTS contrary to the approved incentive filings without the knowledge of Regional Director & Commercial HQs which later on had to be ratified because of his commitments which resulted in causing pecuniary advantage to M/s. HTS.
- (iv) He withdrew ticket stocks from agents including some of the IATA agents of repute to benefit the GSA-M/s. HTS in boosting their business.

2.35 Mr. H. M. Kaul, Commercial Director was stated to be responsible for the following lapses :

- (i) As a Commercial Director, during the relevant period he was fully aware of the malpractices and undesirable activities of

M/s. HTS. He was also aware that there is lack of organised and clear-cut policy and direction and M/s. HTS derived undue advantage. As a head of the Department his primary duty was to see that the London Office functions efficiently and all rules and instructions issued by the Commercial HQs were followed strictly by the London Office and by M/s. HTS, GSA, London.

- (ii) He had ratified the incentive filings for 1982-83 with retrospective effect in June 1983 after the financial year was over without getting it approved either from the Managing Director of the Board and thereby caused pecuniary gain to M/s. HTS GSA, London although the amount involved for this ratification was very substantial.

In fact in the proposal submitted by M/s. S. S. Kaul on 24-8-82 for additional incentive, there was no mention about the market conditions but Mr. H. M. Kaul while ratifying the incentive commission gave the reasons of competitive market conditions. Thus, it is apparent that just to redeem a promise given by Mr. S. S. Kaul, he enhanced the incentive commission payable to M/s. HTS and thereby causing pecuniary advantage to M/s. HTS, GSA.

- (iii) Despite instructions issued by the Managing Director vide HQ/ SEC-28/11309 dated 31-1-1985 that Mr. S. S. Kaul, may be placed under suspension with immediate effect pending enquiry, Mr. H. M. Kaul the Commercial Director who is the Competent Authority failed to comply with the instructions of the Managing Director and overstepping him referred this matter to Mr. Lalit Bhasin, the Legal Advisor to seek his advise on the ground that Mr. S.S. Kaul was seeking voluntary retirement. Since, this is the administrative action, there was no need to refer this matter to the Legal Advisor and action should have been taken to place Mr. S. S. Kaul under suspension pending enquiry against him. Thus, he failed to take this action and allowed Mr. S. S. Kaul to voluntary retire even though he was primarily responsible for over payment to M/s. HTS, London.

2.36 Mr. F. E. da Gama, Regional Director-UK was reported to be responsible for the following lapses:

Mr. F E da Gama was the Regional Head and was aware that M/s. HTS GSA, London was not submitting his Sales Reports regularly and deducting incentive commission from the Sales Reports. He was also aware that Mr. S. S. Kaul was not supplying the approved incentive filings to the Regional Accounts Manager for verification. As a regional head he should have ensured that the incentive commission to M/s. HTS was regulated according to the incentive filings when in fact they were being paid higher and despite this he failed to take any remedial action.

2.37 Capt. A.M. Kapur also held these officials responsible on similar lines.

2.38 The line of action recommended by the Vigilance Enquiry is reproduced below :

- (i) It is suggested that the matter concerning overpayment to M/s. HTS, GSA-London contrary to approved incentive filings may be referred to the CBI for further probe and taking action in accordance with the law.
- (ii) Disciplinary action against Mr. H. M. Kaul, Commercial Director and Mr. F. E. da Gama, Regional Director-UK for the lapses as indicated above.
- (iii) Considering the serious malpractices indulged unabated, the services of M/s. Hindustan Travel Service, GSA, London should be terminated forthwith.

2.39 The Enquiry Committee was of the opinion that the existing procedures for the clearance of incentives and the reporting and monitoring of the same as laid down in June 1982 will more than suffice if scrupulously followed.

2.40 In order to avoid lapses in future the Enquiry Committee as well as the CV&SM of Air India in his report made the following suggestions :

"It is important to establish Cells at local stations|regional levels to monitor the implementation of the marketing plan and settlement of incentive commissions on a month-to-month basis.

At the HQs level, the incentives must be approved and ratified by the CD only after they have been scrutinised by the high level committee consisting of the CM-Marketing, CM-Sales and the Dy. Financial Controller (R). The Committee should also examine the yields, extra business etc., while approving the marketing plans of regions. This Committee should also carefully consider suggestions for amendments to the approved marketing plan and after examining all aspects submit the same to the CD for approval with the recommendations that the proposed incentives would in fact result in achieving the desired levels of revenue productivity.

It is also recommended that all such amendments should be made to be effective from a prospective date."

D. Termination of Agency

2.41 Asked about the present position of the London GSA (HTS), the M.D., Air India apprised the Committee on 25-2-1986 as follows:—

"The present position is that on 21st October, 1985 we have served notice to the GSA for the termination of GSA Agreement and as per the current agreement, GSA is required to give 6 months notice so that the agreement will be terminated on 30th April."

2.42 Air India had claimed in a written note that there was no difference in the terms and conditions (of GSA) from region to region as the standard formats are applicable for all regions.

2.43 Asked to clarify whether the 6 months notice period is applicable to all GSAs of Air India, the M.D., Air India said, "It is applicable only to London (GSA)."

2.44 When the Committee enquired about the period of notice for other GSAs, the witness said that "normally, 60 days notice is given for termination. There is no one else who has got this provision of six months' notice."

2.45 Asked why special privilege was given by granting 6 months notice period to the HTS, the M.D., Air India deposed :

"Here, in this particular case, in 1980 apparently the GSA made a case that because of certain investments he is making so as to increase the selling arrangements, Air India should give them six months notice. That was recommended by the then Regional Director and it was approved by the Deputy Managing Director (Commercial)."

In this connection, the witness conceded :

"I agree with the Committee that six months should not have been given."

2.46 The reasons for granting this special provision as indicated in the letter dated 18-4-1980 issued to the GSA by the then U.K. Regional Director of Air India are shown below :

"In view of what you state regarding the opening of new offices in the Midlands and Yorkshire, as also taking over our Southall office, in order to enable you to arrange for the increase in investment and expenditure of your organisation, we are agreeable to extend the period of notice of termination of the GSA Agreement from 3 months to six months. By means of a copy of this letter, we are keeping our Headquarters informed."

2.47 On enquiry whether this special provision had the approval of the Board, the M.D., Air India said in evidence :—

"Going through the file I find that the Regional Director's recommendation was approved by the Deputy Managing Director (Commercial) at that time. This matter has not gone to the Board. So far as Air India is concerned, I do not think any of the GSA matters normally goes to the Board."

2.48 The Committee were also informed that previously the appointing authority for GSA was the Commercial Director.

2.49 The Committee also noted from Air India's letter that the extension of notice period from 60 days to six months was subject to increasing the bank guarantee by one lakh pounds. Asked whether the bank guarantee was raised by HTS to that level, the M.D. Air India replied :

"The record shows that, subsequent to this, the bank guarantee was increased by another 100,000 pounds on 29th April, 1980."

2.50 Asked to clarify whether the six-months' notice period is mutual, the M.D., Air India said :

"It (the agreement) does not say so. It only says that Air India is required to give six months notice."

2.51 The Committee referred in this connection to Capt. A.M. Kapur, the then Chairman's report of February, 1985 on London GSA wherein he had recommended that the period of notice be reduced immediately to 60 days from six months, in conformity with IATA requirements.

2.52 The Committee wanted to know, under the circumstances why the six-months notice period could not be dispensed with for termination of the GSA. The M.D., Air India replied :

"The Air India Legal Advisors were consulted and they were of the view that a case like this should be given six months notice."

2.53 The Committee noted that the agreement entered into with the GSA had a clause relating to defaults which reads as follows :—

"If the General Sales Agent shall at any time defaults in observing or performing any of the provisions of this Agreement, or shall become bankrupt or make any assignment for the benefit of or enter into any agreement or composition with its creditors, or go into liquidation, or suffer any of its goods to be taken into execution or if it ceases to be in business as General Sales Agent for sale of air transportation this agreement may at the option of the principal be terminated forthwith"

2.54 Pointing out the difficulties in terminating the agreement forthwith the M.D., Air India deposed before the Committee :

"There are two aspects. One is, what is called, proceedings under the criminal law. You want to terminate and the matter is serious enough, you are ready to face the legal litigation thereof. The second aspect is, administrative action. In this particular case, when the matter came to the Air India Board, at that time everything that was pointed out there was the matter relating to the past. Nothing specific was pointed out that, "Today this is wrong." If you look at the minutes, you will not find any particular instance, namely that this was done last month or anything of that sort. If the matter referred to was for 1982 or 1983 and there were things like that, one could say, 'No, I am not prepared to go by six months' notice. I am going to terminate him forthwith'. But in 1985, when the matter went to the Board, that was not the case. I would like you to appreciate this point. In fact, the Board was not willing to take a decision that he should be terminated."

2.55 The Committee in this regard noted the minutes of the 180th Board meeting of Air India held on 12-7-1985, the extract of which is given below :

"In regard to the recommendation regarding the continuance or otherwise of the GSA, Capt. Bose invited the Board to consider the matter in the circumstances stated and advise the Management suitably. The Board, however, expressed the view that it cannot be expected to decide on this aspect and it is for the Management to decide."

2.56 The Committee observed in this context that, in terms of Section 4 of the Air Corporations Act 1953, the general superintendence direction and management of the affairs of the Corporation are vested in the Board of the Corporation.

2.57 The Committee wanted to know when was the suggestion for termination of London GSA made first. The M.D., Air India said :

"The first reference was in the Board, which was in April, 1985."

2.58 The Committee, however, observed from the Vigilance Report wherein it was stated that Mr. R. P. Mishra, Manager-London vide his letter No. LON/HTS/NR/3600 dated 24-11-1983 to the Regional Director-UK had recommended termination of M/s. HTS GSA because of irregular monthly payments, maintaining a poor relationship with sub-ethnic agents and not complying with Reservations procedure, which had given adverse publicity to the Corporation.

The witness later admitted :

"Mr. R. P. Mishra, Manager-London had recommended the termination of the contract . . . This was, however, not brought to my notice. . . . It (the letter) was addressed to the Regional Director, London. If he had agreed with that view, he should have brought it to the notice of the Commercial Director."

2.59 The Committee in this connection further observed that the then Regional Director, London had written a letter as early as in January, 79 stating that, "I must frankly admit that we are finding it difficult to control our GSA since recently". The letter had been addressed to the Dy. Mg. Director. Asked as to what action was taken on the matter, the M.D., Air India Said :

"Sir, I shall check up this matter."

2.60 On enquiry whether the GSA could bring any damage to the Air India business during this six months period, the M.D., Air India said (26-2-86) :

"He is not in a position to do any damage. We are keeping a very close watch. We try to sell through more than one outlet. It is not possible for him to try and bring down the sale."

2.61 The Secretary, Civil Aviation, however, informed the Committee on 12-6-86 :

"In the first month of this financial year i.e. April there were difficulties. The GSA did not take any interest in the matter. So there might have been a slight set-back in the realisations. (The GSA was terminated on 30th April, 1986)."

2.62 Asked whether any reason was indicated in the notice as to why the agreement is terminated, the witness said :

"We have examined the agreement. In fact we consulted our Legal Adviser whether it is necessary to assign any reason or not and after that we came to the conclusion that reasons should not be assigned because once you assign the reasons, that becomes a subject matter of dispute and the notice period is no longer valid and it gets us into unnecessary litigation. We do not want to get into that situation."

2.63 Asked whether the GSA (HTS) was given an opportunity to explain his position before the termination of the contract, the M.D., Air India said :

"The GSA has been given any number of opportunities..... The GSA has been heard by the Regional Director, Deputy Commercial Director and the Commercial Director. He has also been heard by the M.D. Naturally for the M.D. it will not be correct to enter into a controversy. The GSA has been told in no uncertain terms that there are outstandings which are to be settled whereas he says there are no outstandings. The point is we have heard the GSA and after having heard him we have come to this conclusion. We are not satisfied with him."

2.64 The Committee pointed out that Air India has been claiming on the floor of Parliament all these years that the HTS was doing good business and that incentives given to the GSA were justified and enquired how it happened that all of a sudden the agreement with the HTS was terminated. To this, the witness stated :

"There are two aspects of this particular GSA episode, if I can put it. One aspect is the business aspect and the other aspect is the image aspect. We find, let us say, in today's context that for the last 2 years so far as the GSA's revenue performance is concerned, there is a growth and it is OK.... But there is a tremendous suspicion and image problem too as if Air India is mixed up with the GSA, there is some collusion and so in spite of our best efforts, we have not been able to get rid of it. The only thing we have to do is to take steps to see that the image is more important than the revenue performance..... The image problem was one part. The second is, the background which was in front of the Air India management in 1985. The question arises whether such a thing could happen again, whether the GSA whose reputation is questionable could find

some way of influencing the local management. These are the points because of which we finally decided to terminate."

2.65 Asked about the view of the Secretary in giving notice of termination to the London GSA (HTS), the Civil Aviation Secretary deposed :

"The appointment of a particular GSA and non-appointment of GSA is a matter which does not come to Government. These are basically of management, whether they issue a GSA at a particular place or not, or whether if you have a GSA, you should have an X-GSA and not Y-GSA. These are matters of management."

2.66 In regard to the outstandings against the HTS the position as on 15th February 1986 was indicated as below :

Year	Amount in 7 Stg.
1982-83	115,654
1983-84	110,079
1984-85	206,823
1985-86	127,184
	559,740
	Rs. 97.49 lakhs

2.67 These figures were reported to be provisional and were under verification and discussion with the GSA and subject to adjustment.

2.68 Asked about the outstandings from GSAs in other countries, a representative of Air India said during evidence :

"There are occasional points of dispute. These are sorted out across the table. As far as possible, we won't keep anything outstanding from any other major parties within the credit period granted to them."

2.69 Enquired whether the HTS was not co-operating with Air India in settling the disputed amount or whether Air India officials were themselves responsible for the delay in settling the outstandings, a representative of Air India deposed :

"As you know, we normally don't settle any amount unless we are satisfied with the examination of the documents--that is one part. And when we started examining this, we found that several documents were not submitted to us. We went across and got copies of these documents. There are some copies which we have not yet got even till today. Many times, it has been found out that when he comes and sits on and agrees with us and later on he goes and writes to us that this kind of agreement, he can't agree or something of that sort. He

makes certain demands about certain assurances given to him for which we ask from him to produce the proof. Unless he produces the proof we won't agree."

2.70 The Enquiry Committee appointed by the Mg. Director had observed that the files pertaining to the incentive filing for the year 1982-83 had been missing from CHQ since August 1983. The CVSM of Air India also pointed out in his report that one of the files dealt with personally by Mr. S. S. Kaul was missing. The Committee wanted to know whether any investigation was made in regard to the missing files. In reply the M.D., Air India said :

"These events have taken place mainly in 1982-83. If any enquiry had been conducted at that point of time, it would have been much easier to really pin down what had happened and why this was missing."

The witness, however, stated later :

"A certain enquiry had been made at that time. I don't think there is any conclusion as to why files were missing."

2.71 Pointing out that the accounts were settled with the HTS on fortnightly basis, the Committee wanted to know how the outstandings were allowed to remain due for so many years. The M.D., Air India replied :

"The reason was the outstandings in the years 1982-83 came to light only in 1985."

2.72 Taking note of the fact that notice has been issued for termination of the agreement with HTS, the Committee wanted to know (8-3-86) what safeguards Air India have taken to see that all outstanding dues are recovered from the GSA. The M.D., Air India replied :

"This is a matter on which we have deliberated and we have adopted a strategy; we are still finalising it..... Air India will do its utmost to do it (recovery of outstandings)."

2.73 Taking note of the fact that Janata Travels—the Air India's GSA in Northern India and the Hindustan Travel Service—the GSA in U.K. are controlled by one person viz. Shri J. Sanger and that Shri Sanger and his associates had access to the highest levels of authority and were quite resourceful, the Committee on Public Undertakings (1978-79) in their 53rd Report had recommended that a thorough probe should be instituted by an investigating agency unconnected with the Airline or the Ministry. Further, considering the fact that there had been complaints involving allegations against the appointment of Janta Travels, as the GSA in Northern India and against the person who controlled the business in U.K. and Northern India, the Committee on Public Undertakings (1980-81) in

their 15th Action Taken Report had reiterated that there should be an independent probe into the appointment as well as the performance of the GSA.

2.74 On enquiry whether these recommendations of the Committee were brought to the notice of the Board at any point of time, the M.D., Air India said :

“Not as far as I am aware.”

2.75 Asked whether any independent probe was made into the affair, the witness said :

“Sir, no probe was made into this affair.”

2.76 Asked whether Air India made any enquiry on its own, the M.D., Air India said :

“So far as this recommendation is concerned, Air India has not done any enquiry because on this, of course, Air India was not asked to do it.”

2.77 On being asked as to what action was taken on the recommendation, the witness replied :

“That was the recommendation of the Committee to the Ministry, Sir.....We have not been kept in the picture so far as this recommendation is concerned.”

2.78 The Committee, however, observed from the copy of action taken notes furnished by the Ministry in pursuance of the above stated recommendation that the Government's statement was contradictory to the fact mentioned by Air India. The reply of the Government stated that as per observations of the Committee, an enquiry was conducted by Air India.

2.79 Contradicting their own statement, the Department of Civil Aviation later informed in a written reply as follows :

“It was felt that as long as the GSA of Air India was conducting his business without violating the terms of contract, there was no need to conduct any probe in the matter. In the light of the recent developments, the issue will be considered again.”

2.80 Clarifying the point in this connection, Civil Aviation Secretary said during evidence :

“This is apparently not properly worded that at that time the probe was not necessary. The negotiations were going on and in fact, our Vigilance Officers had been enquiring into it.”

2.81 Taking the responsibility for this confusion, the witness said :

"I take the responsibility for that; it is loosely or inadequately worded. I accept that."

2.82 Capt. A. M. Kapur, the then Chairman of Air India in his report submitted to the Government in February, 1985 had stressed that the entire spectrum of fares and commission would need a detailed and indepth examination. Asked whether any exercise was made in this regard the M.D., Air India said :

"I would like to reiterate here that these are under examination continuously from time to time. It is not merely a yearly affair. It is reviewed almost continuously depending upon the market forces and all that."

E. Action against officials involved

2.83 Asked what action was taken against the officials who were responsible for showing special favour to the HTS by providing for six months notice period of termination, the M.D. Air India stated :

"The Regional Director who issued that letter and the Deputy Managing Director (Commercial), both of them had retired prior to 1984 (in 1980 and 1982)."

2.84 The Committee were also informed that Shri Periera was the Regional Director U.K. and Shri I. D. Sethi was the Dy. Mg. Director in Bombay at that time.

2.85 Dealing with cases of acceptance of lavish hospitality from parties having business connections with Air India and unauthorised issue of complimentary passes, the Committee had observed that the conduct of the officers (S) Shri I. D. Sethi and H. K. Malik had been reprehensible and considered that it would be unwise on the part of Air India to allow such people to hold responsible positions. The Committee reiterated in their 15th Report (1980-81) that suitable action should be taken against those officials after a proper enquiry. It is noted that Shri I. D. Sethi has since retired and Shri H. K. Malik was issued with a simple warning letter. Subsequently the later was also given promotions.

2.86 Referring to the issue relating to overpayment to the HTS the Committee enquired whether the matter was not referred to CBI as recommended by the Chief Vigilance Manager (CVM) of Air India. The Managing Director, Air India said :—

"Originally, the investigation by Air India was made at the instance of the Chief Vigilance Commissioner (CVC) of the Government of India. . . . It is incumbent upon the CVM of Air India to forward his recommendations to the CVC and to act on the recommendations of the CVC. The CVC in his recommendation has not said that the matter should be referred

to CBI. He said that the Air India management should consider taking steps against Shri S. S. Kaul and that proceedings have been initiated."

2.87 The CVC vide letter dated 29-11-1985 advised Air India to seriously consider what legal action, either Civil (for recovery of damages) or criminal or both, can be taken against Shri S. S. Kaul.

2.88 Asked what was the progress in taking action against Shri S. S. Kaul, the Managing Director, Air India said (on 25-2-1986):—

"So far as this matter is concerned, the Chief Vigilance Manager of Air India has been instructed to coordinate and take suitable legal proceedings against Shri Kaul"

2.89 The witness, however, informed the Committee that "the case has not yet been filed."

2.90 The Committee asked for the reasons for delay in filing the case and enquired whether the case will not get time-barred. The Managing Director, Air India stated in this connection that CVM's report was forwarded by Air India to the CVC on 8th July 1985 and the CVC's report dated 29th November was received by Air India on 12th December, 1985. The witness added in this connection:—

"Here Mr. S. S. Kaul, retired on the basis of Air India service rules, we had withheld his retirement benefits. We had gone far far ahead in our probing to establish that person had really committed a grave misconduct and that he did not get away scot-free. We have initiated steps. . . . But in the case it cannot become a time barred case".

2.91 Enquired whether there was no provision in the Air India Employees' Service Regulations to withhold permission for voluntary retirement to the officials against whom vigilance case was pending or vigilance enquiry was contemplated, the Managing Director, Air India said :—

"Unfortunately, at present there is no provision. We have now initiated steps to amend the rules and remedy the situation."

2.92 The Committee wanted to know how Shri H. M. Kaul, Commercial Director was allowed to retire voluntary, when Chairman, A.M. Kapur's report (Feb. 85) and Vigilance Report indicated him on many grounds and recommended disciplinary action against him, the witness deposed:—

"Mr. H. M. Kaul retired on 31st August, 1985. This was under the same provisions of Air India Service Rules [Rule 40(5)] viz., that the employee who is above the age of 55 can retire by voluntarily giving notice of three months. The fact that Mr. H. M. Kaul wanted to retire before time, was also reported to

the Board its meeting held in August, 1985. He being a serving employee unless there was a CVC recommendation against him the management was not empowered to take any action. . . . There is a statutory law that any employee getting more than Rs. 1,800]- as basic salary against whom a vigilance case is pending action can only be taken with the concurrence of the Central Vigilance Commissioner."

2.93 The Committee noted the C.V.C.'s recommendation dated 29th November 1985 the extract of which is reproduced below :—

"Shri H. M. Kaul has committed financial impropriety in retrospectively regularising overpayments of several lakhs of rupees without taking prior approval of superior authorities like the CMD|Board of Directors. He has tried to shield Shri S. S. Kaul by ratifying his irregularities. He also violated MD's specific instructions for placing Shri S. S. Kaul under suspension. The Commission, therefore, endorses the recommendation of the CVC Air India for regular departmental action against Shri H. M. Kaul Commercial Director."

2.94 Referring to the retirement of Shri H. M. Kaul, Civil Aviation Secretary said during evidence :

"His period still remains for superannuation. He sought voluntary premature retirement which under the existing rule of the corporation could not be stopped. In the Government when an enquiry is pending, you can stop anybody but in the corporation rules, this thing was not there. So we have now made a change in Corporation rules. We have done it subsequently but we could not do it earlier. We wanted to stop his retirement but the Law Department said 'You cannot take action' We have withheld his gratuity and other things till the matter is settled."

2.95 The witness added in this connection that the CVC's recommendation in the matter was received in December 1985 (whereas Shri H. M. Kaul retired in August 1985 itself).

2.96 The Committee were not satisfied with the reply and pointed out that if the management had wanted to withhold his voluntary retirement, it could have been done, on the basis of the findings of Chairman, A. M. Kapur (Feb. 1985) and the Vigilance (June 1985).

2.97 The Managing Director, Air India stated in this regard that Chairman A. M. Kapur's report was discussed by Air India Board and it was decided by the Board that Shri H. M. Kaul should be transferred to some other position. The witness also added :—

"Then he was transferred by the Managing Director. After that Mr. Kaul said, "If there is mistrust in me, I better retire". He requested that he should be reverted back as Commercial Director but it was not accepted."

2.98 The Air India Board in its meeting held on 17-4-1985 decided, among other things that the management must obtain an explanation from the Director of Finance as to the failure of the Accounts to detect over-payments made to the GSA, which was later revealed in the Vigilance investigation. Asked what action was taken in the matter, the M.D. Air India said :—

“Consequent on the Board’s observations, the M.D. had asked the Director (Finance) to submit his explanation, and the Director (Finance) submitted a note explaining the position on this particular overpayment to GSA.”

The witness also added :—

“This explanation did not fully clarify the position which was prevailing in 1982-83. The Managing Director also issued certain instructions asking the Director (Finance) to tighten up the procedures and make the procedures in such a manner that this sort of thing will not happen in future.”

2.99 The Committee had gone into the details of the issues relating to over-payment of incentive commission to Air India’s London GSA—Hindustan Travel Service (HTS) which had been reported in the press and also figured in parliamentary questions. Their examination reveals that the matter was examined by not less than six enquiry committees including the two by former Chairman of Air India and the Chief vigilance and Security Manager (CVSM) of Air India. All reports except that of a former CMD of Air India (Shri Raghunath Raj), have brought out a number of malpractices and frauds committed by HTS and some top officials of Air India and also malfunctioning of Air India’s London Office. The final report of the enquiry committee headed by a Joint Secretary of the Ministry of Civil Aviation was expected to be submitted sometime in 1986. The Committee would like to be informed of its findings. What is shocking to the Committee is that in spite of the findings of all these enquiry reports no action was taken by Air India against the officers or the HTS until the matter was taken up by the Committee.

2.100 The CVSM of Air India had found after investigation that the overpayment made to HTS as on 26 June 1983 was of the order of Rs. 98 lakhs. According to Air India this was due to the misunderstanding of the London Manager (Shri S. S. Kaul) in regard to the sanction of incentive commission made in October 1982 for the financial year 1982-83. The Committee are not at all convinced of this flimsy reason given for an incredibly huge overpayment made to a private party which went unchecked for nearly eight months. Attributing London strike by Air India’s staff for the failure of the concerned Department in detecting the overpayment in time does not stand to reason. The Committee note that the strike had ended in August 1982 itself and the so-called discrepancy in sanction arose in October, 1982 while the overpayment reportedly came to the knowledge of Accounts Department only in May 1983. All this speaks of volumes of lack of supervision and gross mismanagement at various levels and in various departments of Air India.

2.101 What is intriguing is that with a view to regularise this overpayment, the incentive structure was revised by the Commercial Headquarters three months after the financial year 1982-83 and was given retrospective effect from 1st April, 1982 in violation of all norms of financial propriety. Surprisingly this was stated to have been done with the approval of the then Chairman-cum-Managing Director (CMD). This is not all. What is more shocking and most disturbing is that the finally approved incentive structure was fixed at a level higher than the structure recommended by the London Manager and at a level higher than the scale on which the GSA had been operating. This is in spite of the fact that the volume of traffic carried in India|UK route was lower than the target and operating loss in this route was as much as Rs. 4.83 crores as against the anticipated profit of Rs. 0.06 crores in 1982-83. Obviously this could not have happened without the connivance of some officials in the top echelon.

2.102 The vigilance and other enquiries have indicated the London Manager (Shri S. S. Kaul), the Commercial Director (Shri H. M. Kaul) and the Regional Director—UK (Shri F. E. Da Gama) on various grounds as listed out in section 'C' of this chapter. The role played by Shri S. S. Kaul against whom prosecution had been recommended by the Chief Vigilance Commissioner of the Government of India for defrauding the Corporation is conspicuous. Shri H. M. Kaul in his capacity as Commercial Director also allowed Shri S. S. Kaul to voluntarily retire in violation of M. D's specific instructions for placing him under suspension. What is worse is subsequent to this, Shri H. M. Kaul himself sought retirement and was also allowed to retire voluntarily without any action being taken against him. To say the least, this is reprehensible. The retirement benefits due to these officials have reportedly been withheld. . . The Committee would like to be apprised of the legal action taken against Shri S. S. Kaul and the departmental action taken against Shri F. E. Da Gama. The Committee require that appropriate legal action should also be initiated against Shri H. M. Kaul on the basis of the findings of CVSM without any loss of time.

2.103 The Committee feel that the role played by the then CMD Air India (Shri Raghu Raj) was not above criticism. He was consistently defending excessive incentive payment made to M's. HTS and also some of the decisions taken in his time have on subsequent investigations been proved to be partially motivated. As all the enquiries held so far were headed by the officials within or connected with Air India and many pertinent questions still remained unanswered, the Committee suggest that CBI should probe into the matter as recommended by the CVSM of Air India in order to have an impartial enquiry and to bring all facts to light.

2.104 Another disquieting feature that came to light during the Committee's examination was inadequacy in the service regulations of Air India employees. There was reportedly no provision in the Air India Employee's Service Regulations to withhold permission for voluntary retirement of S|Shri S. S. Kaul and H. M. Kaul even when vigilance enquiry was going on against them. The Committee have been informed that only now rules have been amended to rectify the deficiency. The Committee desire that a copy of the amendment made in the rules be furnished to the Committee.

The Committee further recommend that the BPE should critically review the Service Regulations of Air India Employees with a view to identify any other similar shortcomings in the rules and ensure that there is no room for loopholes in future.

2.105 The Committee have also been informed that Air India could not take timely action against quality officials due to the requirement that the concurrence of Central Vigilance Commission (CVC) had to be obtained before taking action against officials drawing more than Rs. 1800 basic pay. The Committee note that Air India's Vigilance report was forwarded to the Central Vigilance Commission on 8th July, 1985 and CVC's advice in this regard was received sometime in December, 1985. In the meantime, Shri H. M. Kaul had reportedly taken recourse to voluntary retirement on 31st August, 1985. The Committee feel that obtaining of concurrence from CVC for disciplinary action against an Officer is a time consuming process. The long time involved in this process affords an opportunity to the affected person to manipulate things. Hence, the Committee recommend that all the public sector undertakings should be empowered to initiate action against the officials suspected to be guilty without waiting for the formal concurrence of CVC. In such cases, the CVC can be asked to act as a reviewing or supervisory authority. The Committee, further feel that it is high time that the rule of CVC in this regard are re-examined with a view to remove the lacunae, if any.

2.106 Air India's London GSA-Hindustan Travel Service had been committing countless irregularities and malpractices some of which have been mentioned in section 'B' of this chapter. To state very briefly these include fraudulent financial practices like claiming excessive commission, referring duplicate claims, not surrendering commissions on refunds, charging incorrect fares etc. and blocking of Air India funds by refusing to make payments in time. The Committee also note that the memorandum submitted to them by the proprietor of HTS contained several references to secret deliberations of Air India Board and wondered how such secret information reached HTS. This could not have been possible without the collusion of Air India officials. Though there had been complaints against HTS from various quarters since 1979 and suggestion for the termination of its agency from some responsible officers and enquiry committees, Air India management did not consider it necessary to take any action against the GSA. The reasons are not difficult to understand. It was only in October 1985 after the Committee started examining the matter in depth that Air India issued termination notice to HTS and its services were terminated with effect from 30th April, 1986.

2.107 In regard to the notice period for termination, though the IATA stipulation is only for 60 days notice, special favour had been shown to HTS by incorporating a six months notice period in the contract. This was reportedly done in April 1980 by the then Regional Director—UK (Shri Pereira) with the approval of the then Dy. Managing Director (Shri I. D. Sethi). Both of them have since retired from service. What particularly irks the Committee more is that even when this fact that brought out by Capt. A. M. Kapur in his report (Feb. 1985), the management was not

vigilant enough to amend the contract suitably without loss of time. As a result when ultimately it was decided to serve notice for termination, the Managing Director claimed before the Committee that Air India had no option but to go by six months notice period. The Committee hold the Mg. Director responsible for this lapse. What is worse is that the six months notice period had its inevitable adverse impact on the revenue realisations as admitted by the Civil Aviation Secretary.

2.108 Incidentally, the Committee had indicated in 1979 S/Shri I. D. Sethi and H. K. Malik on the grounds of accepting lavish hospitalities from parties having business connections with Air India and unauthorised issue of complimentary passes and considered that it would be unwise on the part of Air India to allow such people to hold responsible positions. The Committee regret to note that Shri I. D. Sethi apparently did not mend his ways and subsequently in 1980 interfered in the matter of showing special favour to LTS as discussed in the previous paragraph. Shri H. K. Malik incidentally appears to have been given promotion subsequently.

2.109 The Committee are painfully shocked to know that the outstandings from E.T.S. on 15th Feb., 1986 were of the order of Rs. one crore. This included dues from 1982-83 onwards. The outstandings from other GSA's are, however, recovered as far as possible within the credit period granted to them. The Committee would like to be apprised of the present position. In case the dues still remain unrecovered the Committee should be informed of the reasons. The Committee feel that there could be no difficulty in recovering the dues as the same party continues to represent as GSA (Janata Travels) in northern India. If the party still refuses to make payment that would form more than sufficient ground for terminating his GSA forthwith in northern India and to initiate legal action for recovery of dues without any further delay.

2.110 It is a matter of grave concern for the Committee to note that some documents relating to the outstandings of the year 1982-83 have not been submitted even now. More seriously, the files pertaining to incentive filings for 1982-83 have been missing from commercial headquarters since August 1983. This is indicative of the state of affairs in the Air India in a vital field. The Committee did not expect an expression of helplessness from the Mg. Director on this scope. The Committee would like Air India to investigate the matter again and fix responsibility for missing of vital documents from the Corporation.

2.111 The Committee got an impression that Air India Board had remained almost a passive witness to what was going on in regard to the GSA matter. It does not seem to have taken any serious note of the grave malpractices and irregularities committed by HTS and the misuse of authority by responsible officials. No clear cut direction was given even when advice was sought from the Board by the Mg. Director. At one stage when the Mg. Director invited the Board to advice the management suitably in regard to continuance or otherwise of the GSA—HTS, the Board reportedly expressed the view that "it cannot be expected to decide on this aspect and it is for the Management to decide." The Committee observe that in

terms of Section 4 of the Air Corporations Act 1953, the management of the affairs of the Corporation is vested in the Board of the Corporation. The Committee desire that at least in future the Board should effectively involve itself in the affairs of the Corporation and give the necessary guidance where it is sought by the management.

2.112 The Government can also not be absolved of the blame in this matter. All the happenings could have been averted had the Government taken appropriate action on the recommendations of the Committee made in 1978-79 and reiterated in 1980-81. No independent probe was instituted by Government as repeatedly stressed by the Committee keeping in view the complaint received even before 1978-79 against the appointment of Janata Travels as GSA in Northern India and against the person who controlled the business in UK and northern India. No convincing explanation has been given to the Committee. The Committee hope that at least now Government will realise and take earnest action on the recommendations of this Committee.

2.113 The Committee are not happy with the procedure of allowing agent to deduct their commission and incentives at source. The Committee feel that payments should be made to Agents only after proper scrutiny of documents and determination of exact amount of commission and incentives by Air India. This will compel the agents to deposit the sale proceeds of tickets and render full account in time for getting expeditious payment of the Commission. The procedure should be modified accordingly in order to protect the interest of Air India.

2.114 The Committee are constrained to point out that the practice of giving incentive commission to GSA is replete with glaring irregularities and dubious deals. They would like that the expert Committee recommended by the Committee in their 14th Report (1986-87) should undertake a thorough critical examination of incentive commission paid to various GSAs by Air India during the last 5 years with a view to bring out shady dealings and involvement of officials and plug the hole which is proving to be waterfall of malpractices. The Committee would also like that the agreements entered into with all GSAs should be critically reviewed with a view to incorporate all deficiencies pointed out in this report and to see whether there is any deviation from the standard agreement in any case. Amendments should be carried out in those agreements immediately on the basis of the outcome of this review.

III. NEW LONDON GSA

The then Chairman of Air India Capt. A. M. Kapur had pointed out that considering the market condition, it did not appear any longer necessary to have a GSA for London and recommended that Air India themselves could organise their office and utilise available manpower to launch forceful and aggressive marketing and sales promotion. He has also recommended greater use of the manpower available in London office as the office was overstaffed. When the Committee enquired whether the manpower in London Office was fully utilised, the Managing Director of Air India said during evidence :

"This is a very important point. We will look into it and ensure that their services are fully utilised."

3.2 The witness, however, emphasised the need for a GSA in London and said during evidence :

"In U.K. region there are thousands of agents and sub-agents. I understand that their number is 5000. And they are unrecognised agents. The airline cannot possibly deal with them Our staff go and make sure that supposing there are 30 agents through whom we are ticketing and that if somebody is not selling then they say as your sale is low we will take back your ticket stock. Our staff also runs around and meet business houses to tell them to travel by Air India."

3.3 The Committee in this regard noted the irregularities observed by the audit team during the initial audit conducted in the month of June 1982 which are given below :

- (i) The Administrative set-up at London was quite disorganised and there was no clear cut allocation of duties.
- (ii) There was no proper system of filing in Regional Director/Manager's office and whenever files were asked for, loose papers were presented to the audit team.
- (iii) Duties and responsibilities were not clearly defined, especially in the Sales Division and staff did not know what jobs they were supposed to handle.
- (iv) Job description sheets were not available and it was very difficult to extract any information from one source.
- (v) Internal control and internal checks were very weak and at no stage work done by sub-ordinates was checked by the supervisory staff.

- (vi) In view of lack of organised working and clear-cut policy and direction, GSA appeared to have exploited the situation and derived undue advantage.

3.4 The Committee wanted to know what alternative arrangements were made after issuing termination notice to the HTS in order to maintain and improve the revenue position from London Station. A representative of Air India said (on 26-2-1986) "We are in the process of finding other agents." The Managing Director, Air India stated in this connection as follows :—

"It was our intention to make a change when we could do it without putting Air India into any loss. We were examining the possibility of having another GSA and I have sent a number of people to London to examine the matter."

3.5 The Civil Aviation Secretary, however, informed the Committee in this regard on 12-6-1986 :—

"Before the due date of 30th of April the Management has tied up adequate arrangements with some of the IATA agents whose performance was good. They have made adequate arrangements before the expiry of the notice period to ensure that the business of Air India is not affected."

3.6 The Committee enquired whether any attempt was made to appoint a new GSA during the six months' notice period given to the previous GSA the witness explained :—

"It was a deliberate decision of Air India not to find a GSA before the expiry period because being in a competitive scenario you cannot judge a person when the GSA is functioning. He will not allow him to function. He is overshadowing others. If we try to find out, we may be shooting in the dark and come up with a person who will not be able to deliver as the business. So it was a conscious decision, if I may submit and we wanted to see who will emerge as the best person, at the same time ensuring that within the limited period Air India's revenue realisations are not affected."

3.7 Subsequently, the Committee were informed by the Ministry of Civil Aviation in a post evidence note as follows :—

"The selling arrangements through various IATA agents did not produce the desired results and for the period April/August 1986 Air India registered a drop in actual uplifts on the India/UK route to the extent of nearly 6500 passengers as compared to last year for the period April/August.... In order to arrest the decline in the uplifts ex UK in the face of increased competition and extra capacity injected by other carriers, the matter was reviewed. It was not necessary that Air India had to revert to the concept followed by other carriers of appointing a GSA to deal with the Indian ethnic market which

is presently controlled by a large number of non-IATA agents and it is physically not possible to service these agents directly by an airline. It, therefore, became imperative to appoint a GSA."

3.8 Informing that M/s. Gimvale Ltd. has been appointed as new GSA at London and that the laid down procedure was fully complied with in the matter of selection and appointment, the Ministry stated in a post evidence note :—

"In order to select a suitable party, the five most revenue-productive agents who had given the maximum business for the period May to August 1986 were invited to apply for the GSA appointment. The entire process was carried out openly and detailed discussions were held with each of the five applicants.

Before the appointment of the new GSA, discussions were held with the following five IATA agents, who had produced high sales turnover for Air India during the period April—August, 1986. The details of the agents and their Productivity is given below :—

Name of the Agent	Productivity
(1) M/s. Flight Bookers	£ 10,02,208
(2) M/s. Air Travel Guide	£ 7,63,301
(3) M/s. ABC Travel & Tours	£ 4,65,589
(4) M/s. Eagle Travels	£ 2,48,607
(5) M/s. S. K. Travels	£ 16,08,545

Since an IATA agent cannot be directly appointed as a GSA, M/s. S. K. Travels could not be appointed as GSA. A non-IATA agency M/s. Gimvale Ltd., trading as Welcome Travels, which is linked to M/s. S. K. Travels, was therefore, appointed as GSA of Air-India in London. The agreement with the GSA was entered into on 13th October, 1986 and the agreement came into effect from 1st November, 1986, after the necessary irrevocable bank guarantee was furnished by the G.S.A."

3.9 The sales agents reportedly complained against the appointment of M/s. Gimvale Ltd. as GSA. In a question asked in Rajya Sabha about the details of the complaint and the action taken on the same, (USQ No. 2160 dated 26-11-1986) the following reply was given :—

"Some Sales Agents had complained against the appointment of the GSA mainly on the following grounds :—

- (i) The main Directors of the GSA had limited previous experience in travel trade; and
- (ii) The new GSA has been appointed by Air-India within six months of the termination of the old GSA.

No action was necessary on this representation because the GSA who was appointed was a leading agent and had higher sales record."

3.10 In reply to another question asked in Lok Sabha (USQ No. 1627 dt. 13-11-1986), it was stated that M/s. Gimvale Ltd. trading as Welcome Trivels has a paid up capital of U. K. £ 50,000 and that the main Directors of this Company are businessmen in U.K. and the agency is financially sound.

3.11 Asked what changes have been made in the agreement with the new GSA in the light if the experience with the HTS the Civil Aviation Ministry indicated in a post evidence note, the following:—

- (i) The notice period in the case of Gimvale is 60 days as opposed to six months for HTS.
- (ii) The Bank Guarantee provided by Gimvale is U.K. £ 1.2 million, as opposed to UK £ 0.7 million by 11.15.
- (iii) Gimvale will be sharing 50 per cent cost of rentals, salaries taxes and communications cost of our Birmingham and Manchester offices in addition to opening a full fledged office of its own in Southall.
- (iv) The Financial Link Clause differs in the two agreements.

(a)(i) of HTS : "The General Sales Agent shall not have in the said territory a substantial interest in the ownership, management or profits of an IATA Registered Consolidator or an IATA Approved Passenger and/or Cargo Sales Agent or a sufficient interest in the ownership, management or profits or such consolidator or Agent in influence the commercial policy and/or management decisions of the consolidator or Agent."

4(a) of Gimvale : "No location of the GSA shall be an IATA approved passenger or Cargo sales Agent within the said territory."

- (v) Duties of the General Sales Agent.—
Clause 8(b) in the Gimvale Agreement did not appear in the HTS Agreement.

"Providing and/or assisting in the obtaining of data concerning local laws, regulations, taxes and other information of like nature required by the Principal."

- (vi) Denied Boarding Compensation has been included in the Gimvale Agreement which did not appear in the HTS Agreement.

"Continuation of 9(c)

If any document is issued by the GSA for a particular flight| flights and if such reservations has|have not been actually

effected in the reservation system of the Principal, any Denied Boarding Compensation (DBC) which may become payable to the Passengers shall be the sole responsibility of the GSA."

"Article 19(e)

The GSA shall be solely responsible for any Denied Boarding Compensation claim payable to any passenger in the event of the GSA failing to comply with Article 9(c) of this Agreement."

(vii) The points included in the supplementary Agreement with HTS have been omitted in the Gimvale Agreement."

3.12 The Committee note that the Financial Link Clause in this agreement is at variance with the standard format for non-airline party as GSA.

3.13 The working of Air India's London office is a typical case of malfunctioning. According to the findings of audit, the administrative set up at the London office was quite disorganised; duties and responsibilities were not clearly defined, internal control and internal checks were very weak; there was lack of clear-cut policy and directions; there was no proper system of filing. Besides all these, the office was largely overstuffed. The Committee hope that at least how the management will take some imaginative steps to put this office in order and utilise the surplus staff if nay within the organisation. The Committee would like to be informed of the measures taken in this regard.

3.14 Air India has reportedly appointed Gimvale Ltd. trading as Welcome Travels as its new GSA at London with effect from 1st November, 1986. The selection and appointment of this new BSA shows that Air India still does not attempt to free itself from the unsavoury episodes. Gimvale Ltd. was selected for appointment not on its own merits but on the merits of another agency viz. S. K. Travels. Such strange happenings cannot happen anywhere else. S. K. Travels one of the IATA Agents at London is stated to have produced maximum business for Air India during April—August 1986. The Committee would not have had any reason to doubt, if the S. K. Travels had been appointed as GSA on the condition that it should leave the IATA agency within a specified time. Instead that Air India did was to appoint some one else viz. Gimvale Ltd., in its place. According to the standard practice, no IATA agent nor any one who is linked to an IATA, agent is appointed as GSA, as the GSA could influence the commercial policy and or management decisions of the IATA agent against the interests of Air India. The Committee regret to note that M/s. Gimvale Ltd. is linked to the IATA Agent—S. K. Travels and has been appointed only because it is linked to the IATA Agent. This is clearly in deviation of the standard practice and obviously detrimental to the interest of Air India. What is worse is that in order to cover up this matter, the Financial Link Clause in the standard format if GSA agreement has been extensively modified. The Committee suggest that an inde-

pendent probe by a body or eminent person not connected with Air India or civil Aviation Ministry should be instituted with a view to ascertain the correct facts and any underhand dealing behind the deviation from the standard practice.

3.15 There are certain other disconcerting features in the agreement entered into with Gimvale Ltd. which are given below :—

- (i) Though, an irrevocable bank guarantee has been furnished by Gimvale Ltd. the Committee are at a loss to understand why no provision for bank guarantee or for raising it in future to match the productivity level was incorporated in the agreement entered into with the Gimvale Ltd. In the case of the HTS, provision for bank guarantee was incorporated in the supplementary agreement.
- (ii) The bank guarantee provided by the Gimvale Ltd. was £ 1.2 million apparently with a reporting period of four weeks. The Committee note that the HTS had furnished £ 0.7 million as bank guarantee with the reporting period of 10 days. Going by this reckoning, the bank guarantee required to be furnished by Gimvale Ltd. would work out to be not less than £ 2.0 million if the reporting period is four weeks. The Committee would await an explanation in this regard.
- (iii) The Committee note that in spite of the undesirable experience with the HTS, no caution has been taken by Air India to include a clause in the agreement relating to malpractices with a proviso for immediate termination on this ground. This should be done without delay.
- (iv) The Committee note that the agreement with the Gimvale Ltd. is only for passenger sales. The Committee would like to be informed of the arrangement made in regard to cargo sales.
- (v) The Committee would also like to be informed of the reasons for omitting the supplementary agreement.

3.16 The Committee suggest that the selection of GSAs and periodical review of their performance should be made by the Air India Board or a Board level Committee and the quantum of incentive commission if at all to be paid should also be decided and continuously reviewed by the Board or by a Board level committee.

IV

PASSENGER SERVICES

A. Complaints

The number of complaints, suggestions and compliments received by Air-India Headquarters, for the last three years, as against the number of passengers carried by Air India on scheduled services are indicated below:

	April '81/ March '82	April '82/ March '83	April '83/ March '84
Complaints	1806	1258	1436
Suggestions	316	193	229
Compliments	959	1005	1082
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	3081	2456	2747
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Total number of passengers carried	16,25,653	17,23,599	18,25,631
% of complaints received against number of passengers carried	0.11%	0.07%	0.08%

4.8 Most of the complaints received relate to inconvenience faced by the passengers on ground. Air India claimed that many of these complaints are for the reasons which are beyond the control of Air-India, i.e.—difficulties faced by the passengers at customs, immigration, security checks, etc. Even in these cases, where necessary, the matter is reportedly taken up with the authorities concerned with a view to improve facilities, for the passengers.

4.3 The broad nature of complaints insofar as they relate to Air-India are stated to be as under :—

- (i) 'No Record' passengers on Air-India and Indian Airlines on connecting flights or, passengers having been issued 'OK' tickets by agents without obtaining confirmation of the same from the airlines.
- (ii) Confirmed passengers being off loaded due to flights being over-booked and inadequate terminal facilities at Indian airports.
- (iii) Non-availability of Executive class seats when the passengers have paid for normal Executive Class full fare.

- (iv) Staff attitude and alleged bribery and corruption at Airports and Booking Offices.
- (v) The quality of food on board and the standard of the class of hotels provided for layover passengers at Indian connecting points.

4.4 Referring to the various complaints mentioned above, the Committee enquired whether this does not indicate that customer service in Air India leaves much to be desired and wanted to know what specific action has been taken by management on each point mentioned above and how far is it effective. Air India stated in a written reply :—

“Every passenger complaint/comment is immediately attended to and corrective action is taken. Every effort is made to meet the multiplicity of catering requirement of the passengers. Scrutiny of communications received from different sources reveal that during the year April 1983 to March 1984, complaints, received were only 737 as against 2147 compliments—nearly thrice the number. To improve the level of service staff are required to attend refresher courses. Extra coaching is given to those staff who are known to have certain shortcomings.”

4.5 The Committee pointed out that there is an impression that treatment of Indians abroad Air India flights is not good and that they are treated as second class citizens. Asked to comment on the impression the Managing Director, Air India said :—

“I think the impression is not correct. . . . I think we look after them very well and that is the reason why they like to travel in Air India. . . .”

The witness added :—

“I have not seen a single complaint from a passenger who says that ‘I have felt it because I am an Indian’ or ‘I am not getting good service. . . . I can also go on record to say that we impress upon our pursers and hostesses that there has been a feeling, from time to time and it has been mentioned to us that sometimes our Indian passengers feel that they are not given good service because they are Indians. It can be a genuine complaint and it may not be a genuine complaint, but the hostesses should see that this impression does not gain ground.”

4.6 The founder of Air India, Shri R. D. Tata reportedly complained (January 1984) that “there is no doubt at all that we now run a second class service in negation of our clear policy all these years to maintain the highest standards in the world.” Asked what was wrong with Air India, the secretary, Civil Aviation said in evidence on 19-3-1986.

“Nothing is wrong for the last couple of months. I have not seen any controversy.”

He, however, added :—

“There are weaknesses and our effort should be to remove these weaknesses. Efforts should be to approach the issue and bridge the gap.”

4.7 Vigilance report had pointed out that the Indian Community and Sub-agents were not at all happy with the service rendered by the HTS in U.K. It was also mentioned that the HTS was maintaining poor relationship with sub-ethnic agents. The Committee pointed out that one step in this regard has been taken by terminating the services of HTS and enquired what action has been taken to restore the good will of the ethnic community in Air India. The Managing Director, Air India clarified :—

“I am not aware of the position prevailing in 1982-83 or 1983-84. But so far as 1984-85 and 1985-86 is concerned, there is no general unhappiness among the ethnic community.”

4.8 The Committee expressed a view in this regard that one might be unhappy with the services in ground and on board but still be travelling.

4.9 Asked whether Air India have any advisory Committee or consultative council to keep constant interaction with the users to make it continuously responsive to their needs and suggestions and if not, what are Air India's comments on the need for setting up of such councils in various zones, it was stated in a written reply as below :—

“We do not have any Advisory Committee or Consultative Council. The need for such council is, however, not felt since we have a special unit, namely Passenger Relations Section under the supervision of a senior manager and it is the function of this department to study and analyse information received through various sources.”

4.10 Commenting on the suggestion, the Ministry of Civil Aviation stated in a written reply :—

“Setting up of any informal consultative council may not be of any use because what is needed is more intensive training of the cab in crew, ground crew and reservation personnel who come into contact with the travelling public.”

B. On-time performance

4.11 During the first seven months of the year 1984, Air India's operation consisted of 1380 departures per month on an average. Out of these flights, on an average 7.3 per cent of the departures (i.e., 101 departures per month) were delayed due to various reasons, part of which are controllable and others uncontrollable. The delays which are controllable by

Air India include engineering snags, late acceptance of passengers, last minute sickness of crew etc. Delays on account of uncontrollable reasons by Air India include delays due to Air Traffic Control, Fuelling, Customs, Immigration, Security, Bomb-scare, Airport closure, Air space closure, Bird Snake, Bad Weather, Power failure etc. If delays due to uncontrollable reasons are excluded, only 4.7 per cent of the departure (i.e. 65 departures per month) of the flights of the Corporation were delayed during the period January 1983 to June 1984.

4.12 During the same period on an average, five departures were cancelled per month due to unavoidable reasons such as technical, night crew, aircraft rotation etc.

4.13 The Committee wondered how in spite of the analysis of delays by the Punctuality Committees and a Senior Punctuality Co-ordinated Committee meeting every week to review the delays of departures, there have been as many as 65 flights which were delayed every month due to reasons within the control of the management. The Committee enquired whether this does not show laxity on the part of the management in ensuring timely departure of flights. Air India stated in a written reply :—

“The 4.7 per cent of the departures resulted in delays were due to technical snags, operational reasons and commercial reasons. It may also be mentioned that a delay caused at the base stations may result in consequential delays in all enroute stations. Management is conscious of these various factors. Every effort is made to coordinate all flight handling activities at the airports and a systematic post-flight analysis carried out in order to achieve maximum on time departure of all flights. There is no laxity on the part of the management and we would like to assure the Committee that no effort would be spared to ensure that flights depart on time.”

C. Off-loadings

4.14 The Committee observed that there have been frequent reports that Air India had been off-loading passengers having confirmed and re-confirmed tickets. Asked how many instances of off-loading took place at various points and how many passengers having confirmed tickets have been off-loaded during the last three years. Air India stated in a written reply as follows :—

“We do not have details of the off-loaded passengers during the last three years.”

It was stated further :

“However, an analysis of all flights since January, 1985 to June, 1985 was carried out with a view to establish the incidence of offloadings of confirmed passengers due to over booking situations. This analysis reveals that there were 10 incidents

of offloadings of manifested passengers out of a total number of 474 scheduled flights during this period. This represents only 2 per cent of the total number of flights. Suitable steps have been implemented to carry out strict pre-flight checks 72 hours prior to departure of the flight, so that the overbooking profiles are brought within reasonable levels and offloading do not occur."

4.15 Asked to explain the reasons for such instances and enquired why the Corporation could not ensure that such instances do not recur. Air India stated in a written reply :—

"As per IATA regulations, there is no penalty for passengers for last minute cancellations/no-shows. It is a well established industry practice worldwide to overbook flights to avoid loss of revenue due to last minute cancellations, no-shows etc.

In Air India, we regularly review the overbooking profile based on the experience during the preceding year's flights, and refix a safe overbooking profile to ensure that the same does not result in offloadings.

In fact, on many occasions in the past, the flights have operated with a few vacant seats, despite initial overbooking of the flights. It is only on rare occasions when there is less number of last minute cancellations and non-shows that a situation would arise where we have more number of confirmed passengers on hand than the number of seats."

4.16 Regarding overbooking profile of the HTS (with reference to December, 1982 peak end) Vigilance enquiry observed as follows :—

"The GSA, London, had overbooked passengers with OK tickets. While some overbooked passengers were cleared by additional seats, many of these passengers were transferred to other flights and few were kept on the waitlist. By such arbitrary overbookings with OK tickets, Air India had to pay Denied Boarding Compensation and in addition had to incur expenditure in providing accommodation to these passengers in hotels for meals etc."

4.17 Taking note of the complaint that passengers were being issued 'OK' tickets by agents without obtaining confirmation of the same from the airlines, the Committee asked about the role of General Sales Agents in this malady and enquired how Air India proposes to streamline the system. It was stated by Air India in a written reply :—

"The reservation system of Air India is now centrally controlled at Bombay, and as such, the GSAs have no role in the overbooking of flights as seats can only be confirmed by the Control, depending on availability."

D. Safety of Service

4.18 The safety of the service is an important index of efficiency of any transport system. During the last 5 years, there were 3 accidents to Air India aircrafts apart from the major air crash of Boeing 747 "Kanishka" on 23rd June, 1985. There was one incident of hijacking of Air India B707 aircraft operating from Seychelles to Bombay on 25-11-1981. There were a couple of instances of security lapses at the Bombay airport involving entry of outsiders into the operation area of the airport and into the aircraft.

4.19 Considering the above facts, the Committee enquired whether it could be said that Air India provides a fairly safe and risk-free air service.

The Managing Director, Air India replied in evidence :—

"One indirect way of answering would be that, yes, we continue to provide a safe and efficient, service, which, otherwise, naturally would had a very adverse impact on the passengers' traffic because, after all, Air India is not operating in a monopoly situation. We are competing with a large number of international carriers. In spite of that, Air India is able to maintain a good load factor."

4.20 There was a press report on 10-1-1985 stating that an IA B747 on a flight from London to Delhi on 26 August, 1984 strayed off course near the Indo-Pakistan border risking collision with a Thai Airways Boeing 747. The Pilot was reported to have lost his way in chit-chat with an official of Air India whom he had taken into the cockpit and the flight entered into a "danger zone."

4.21 Asked about the facts of the case, Air India stated in a written reply as follows:—

"The flight AI-1100 of dated 25-8-1984 operating London|Delhi deviated from track after Rahim Yar Khan (Pakistan) and entered the Indian territory and regained track at Parvi (India). The aircraft was never over the position Tiger which is between Rahim Yar Khan and Parvi. The aircraft had earlier reported position Tiger which was heard by Thai Airways B747 aircraft and assumed that there was a risk of collision with Air India aircraft. Since our aircraft was never over Tiger due to the deviation mentioned above, there was no possibility of collision. This was explained to the Thai Captain after landing of Delhi.

The deviation was due to C-Pilot selecting Heading Mode from INS mode before Rahim Yar Khan not changing back to INS Mode before he left the cockpit for physiological reasons. The Commander when returned to cockpit, found that track for Delhi, VOR and VHF frequencies for Delhi had been selected,

and reported position Tiger to Karachi and Delhi on HF. The Commander came to the cockpit after Rahim Yar Khan when the deviation had already commenced, and he had no reason to suspect that the aircraft was steering off track. The official of Air India who was travelling as a passenger, came to the cockpit subsequently and his assistance was taken by the Commander, to determine the cause of deviation. The aircraft regained track subsequently and landed at Delhi without any incident."

4.22 Asked what action was taken against the pilots for such grievous negligence of duty, a representative of Air India said in evidence :—

"The Commander was given corrective training, his check pilotship was withdrawn and he lost Rs. 300 per month."

4.23 There was an incident of Air India, London New York flight carrying two teenaged stowaways on 17-8-85. Asked to comment on the matter, the Managing Director, Air India said in evidence :—

"The investigation revealed that these two boys, one was 13 and another was 10, had gone through the Heathrow airport, first through its customs and then through the immigration. They had no tickets. They had followed some gentleman telling that they were his children. Like this they went through immigration and they had one handbag and the security staff found that there was nothing in the bag. Then the question of boarding the aircraft came. At that time they had by passed the Air India's checking in. After that when we investigated the matter we found that those who were checking the boarding passes should have been more vigilant and there was a lapse on their part. So, the services of one employee were terminated, and two others were demoted. Somehow or the other, because of their tender age, those boys managed to travel without ticket pretending that their parents are coming."

4.24 Referring to the incident, when the Committee enquired whether the security system can be said to be 100 per cent fool proof, the witness said —:

"We are disappointed about this."

4.25 The brief details of the accidents to Air India aircraft during 1984-85 are given below:—

- (i) Accident to B-707 aircraft in Bombay on 22nd June, 1982 resulting in loss of 19 lives and injury to 45 others and the total loss of the aircraft. Investigation by a Court of Enquiry is reported to have revealed that the cause of accident was deliberate reduction of engine power by the pilot and non-performing of mandatory duties by check pilot.

- (ii) Collision of Air India's aircraft B-747 with Indian Airlines airbus at Delhi airport on 28 January, 1983 resulting in substantial damages to both the aircrafts. Investigation by an Inspector of Accidents attributed the cause, *inter alia* failure of Air India B-747 to exercise caution during taxing even when signalled to deviate from centre-line.
- (iii) Fire accident to B-747 at Bangkok on 2nd June, 1984 resulting in injury to 8 passengers and extensive damage to the engine of the aircraft. The accident is under investigation.
- (iv) Air crash of B-747 "Kanishka" on 23rd June, 1985 at the Atlantic Ocean resulting in loss of 329 lives. A court of enquiry appointed by Government is investigating the accident.

4.26 Human failure has been found to be the cause of two accidents in respect of which investigation has been completed. Asked what action has been taken in the light of these findings, the Managing Director, Air India said in evidence :—

"Sir, your observations are that in almost all these cases, there has always been a human factor. This is a very pertinent point. This particular aspect has been agitating the minds of those who are in aviation. IATA statistics also show that 65 per cent of all accidents are due to the human factor—due to some lapse or error of judgement or otherwise. So, the entire aviation community is trying to improve the human aspect."

"There are two aspects : one is the selection of personnel, training dissemination of information and so on. As it so happens, if it is due to inattention or due to lapse etc. there should be deterrent punishment. We are conscious of it; in various cases we have taken various corrective measures."

4.27 As regards the accident to B-707 (June 1982) a representative of Air India informed during evidence that after investigation, the pilot was relieved of his job. Regarding the collision of AI's B-747 aircraft with Indian Airlines Airbus at Palam in January 1983, the Committee were informed that instructions have been reiterated by Air India to the pilots to be more careful while taxing.

4.28 The Committee were informed by the Department of Civil Aviation in a written reply that out of the 65 recommendations made by the Court of Enquiry which investigated the accident to B-707-437 aircraft in Bombay on 22-6-1982, six were not accepted and the remaining 16 had been accepted in part or in modified form. So far, 43 recommendations have reportedly been implemented. Referring to the recommendations made in a report given by the Inspector of Accidents on collision accident to Air India Boeing 744 aircraft with Indian Airlines stationary aircraft on 28th January 1983, the Department of Civil Aviation informed in a written reply that all the recommendations have been implemented to the extent possible.

4.29 The Committee wanted to know whether the report of the court of enquiry which investigated the Kanishka crash has been presented and if so, its findings and the action taken on its recommendations. The Department of Civil Aviation informed in a written reply as follows :—

“The Report of the Court of Inquiry which investigated Kanishka accident has been received by the Government. The cause of the accident has been attributed to an explosion of a bomb in the forward cargo hold. The report is under examination of the Government.”

4.30 The Committee noticed from the information furnishing to them by Air India that a decision not to off load the passenger's baggage in respect of 'Gate No Show' passengers was taken by Air India vide circular dated 5-4-1983 in the following cases :—

- (a) Where a Minister or VIP who is recognised after having checked-in-cannot board the flight due to reasons beyond his control.
- (b) A passenger after having checked in is held up either at the immigration or Customs or arrested by Police and is prevented from boarding the flight.”

4.31 This decision was reportedly taken in the Security Advisory Committee Meeting of the Government of India. This subject was once again discussed in June 1984, when it was decided to leave the option to the Commander as to whether the baggages of 'Gate No Show' passengers who are held up either at Immigration, Customs or are arrested by the Police and are prevented from boarding the flight should be offloaded or not.

4.32 Asked whether this loop-hole in the existing practice does not constitute a serious security hazard inasmuch as it enables a person to pass on a baggage containing incriminating material without boarding the flight, Air India stated in a reply :—

“This decision was taken especially since the last minute holding of passengers against his own wish is not considered to be a security risk. Air India also sought the clarification of the Director-Civil Aviation Security (DCAS), Delhi, as to whether offloading of the baggages of such passengers should be necessarily done. Clarification from DCAS is awaited.”

4.33 Asked whether Air India received any clarification from DGCA, the Managing Director, Air India replied that “they have not written to us as such.”

4.34 On further enquiry whether the above referred circular is still in force the Managing Director, Air India replied (24-2-1986):—

“No written instructions modifying the circular have been issued, but in actual practice these matters have been tightened up. I think the discretionary power is very rarely exercised.”

4.35 Asked how far is it appropriate to continue that practice, especially after the Kanishka crash, the Managing Director, Air India said in evidence :—

“This point has not been gone into. Practically invariably, it is either checked through X-ray or an explosive detector.”

4.36 When pointed out that metal detector cannot identify plastic bombs, the witness admitted :—

“It may not be possible to do it in all the cases, but in most of the cases it can be done.”

4.37 The Department of Civil Aviation, however, informed the Committee in a written reply that instructions had been issued to Air India to ensure that baggage of any passenger who does not board the aircraft must be off-loaded.

4.38 The Committee wanted to know the nature of defects noticed by Aeronautical Inspection Directorate of DGCA in AI aircraft and instances of violations of safety rules and regulations by Air India, during the last 3 years. Air India informed in a written reply as follows :—

“As far as the nature of defects noticed by AID on Air India aircraft are concerned, these were only either minor inspection lapses or discrepancies in documentation. These defects were discussed in detail with the DGCA and it is confirmed that none of these items involved any violation of any air safety rule or regulation but some of the lapses are attributable to individual employees for which disciplinary action was taken whilst others are agreed procedures for improvement of maintenance and overhaul.”

4.39 A service enterprise like Air India should be customer-conscious in order to earn and maintain its image. Air India has, however, of late come in for criticism that it runs a second class service and that its inflight and ground services have been markedly poor. More seriously, there have been complaints about bribery and corruption at Airports and Booking Officers. Off-loading of passengers having confirmed and re-confirmed tickets has been a frequent recurring phenomenon. The quality of food served in the Air India flights reportedly is below the expected standard. Under the circumstances. It did not come as a surprise to the Committee that Air India's share in traffic has been declining over the years as dealt with in the 14th Report of this Committee. The Committee need not over-emphasise that in a fiercely competitive industry, it is necessary to maintain the appeal among customers by personalised and courteous services and efficiency of operations. Air India seems to have derived satisfaction that the number of complaints received was not too high. The Committee are of the view that instead of expecting the passengers to take the trouble of making complaints and suggestions Air India should evolve a machinery which should approach all the passengers regularly and ascertain their

experience particularly with Agents and about other services on ground and on board. The Committee feel that analysis of information collected thereby will clearly bring out all the areas of shortcomings and weaknesses and help taking corrective action.

4.40 The Committee are of the view that existence of any malpractices and corruption would bring immense damage to business than any thing else. The Committee, therefore, suggest that any case of violation of regulations by officials or by agents should be severely dealt with.

4.41 An analysis of the delay in departures during the first seven months of 1984 carried by Air India show that on an average 65 flights per month were delayed due to reasons within the control of the Management. This is inspite of post flight analysis carried out by Punctuality Committees and a Senior Punctuality Coordinated Committee. The Committee desire that there should be no let-up in the efforts to achieve maximum on-time departure of flights. Wherever there is any delay any flight, the reasons therefor should be promptly examined and corrective steps taken immediately.

4.42 The Committee are surprised to know that Air India does not maintain any statistics about off-loaded passengers having confirmed tickets. Without this the Committee wonder what sort of review Air India have been carrying out in regard to overbooking profiles. This explains the reason why there has been frequent off-loading of passengers inspite of the review of overbooking profiles. The Committee desire that at least now steps should be taken to maintain statistics about off-loaded passengers so that the review made in this regard is objective and purposeful.

4.43 Air India's record in the matter of safety and security of operations shows that these are yet to be made fool proof. During the last 5 years, there were 4 accidents to Air India aircrafts including the major air crash of 'Kanishka' in June, 1985, there was one incident of hijacking, a couple of instances of security lapses at the Bombay airport involving entry of outsiders into the operational area of the airport and into the air-craft, one instance of air craft straying off course due to failure on the part of pilot and a case of Air India aircraft carrying two teenaged stowaways. Aeronautical Inspection Directorate have also reportedly noticed defects in Air India air-craft in the nature of minor inspection lapses or discrepancies in documentation. The Committee desire that effective and preventive measures should be taken to make safety and security operations fool-proof.

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4.44 The Committee note the prevailing practice in Air India vesting the flight commander with discretionary powers on the question of off-loading the baggage of 'Gate-no-show' passengers. The Committee regret to note that this practice admittedly was not reviewed by Air India even after Kanishka crash which is attributed to a bomb explosion. In Committee's view this practice constitutes a serious security hazard inasmuch as it leaves chances for a person to pass on a baggage containing incrimina-

ting material without boarding the flight. While Air India claimed that no written instructions clarifying the position in this regard were received from the Director—Civil Aviation Security, the Civil Aviation Ministry informed the Committee that instructions had been issued to Air India to ensure off-loading the baggage of any passenger who did not board aircraft. The Committee desire that there should be no confusion and uncertainty in matters concerning security. The Committee, therefore, recommend that written instructions in this regard should be issued in unambiguous terms.

MISCELLANEOUS

A. Shortage of Pilots

Manpower planning is essential for success of any organisation. Air India, was, however, reported to have faced severe shortage of pilots and was granting extension of service beyond the age of superannuation to sustain the operations. The Government who had earlier approved grant of extension of services to certain pilots had subsequently withdrawn its approval.

5.2 Asked to explain the reasons for giving extensions to pilots and the reasons for shortage of pilots in the Corporation, the M.D. Air India explained :—

“From time to time we have given extension to pilots and this is not so much because there is a shortage of pilots. In Air India the retirement age is 58 years, and the pilots who retire will get their jobs after retirement in other Airlines. Sometime, we get representations from pilots that they have received an offer, say, from Singapore Airlines, which pays 7-8 times, but they say that they would like to have an extension for one year here rather than go there. The rule is that they can fly transport planes after the age of retirement. We, therefore, give them extension sometimes.”

5.3 On the question of shortage of pilots, the M.D. Air India had stated before the Committee on 8-3-1986 :—

“For a while, we did have certain difficulties regarding recruitment of pilots, because we recruit pilots with some experience and those who have certain qualifications. It is not somebody who comes direct from the flying club. We had two sources, one the Indian Airlines and the other the Indian Air Force. Indian Airlines were short of pilots and we had been recruiting from the Indian Air Force. We had a certain procedure in regard to the licensing of the Air Force Pilots. But about four years ago, the rules were suddenly changed by the DGCA. The Air Force Pilots have certain ratings, white green and master green. Earlier, the pilots with master green rating, subject to flying test, could be taken by us. But around 1982, DGCA said that the Air Force pilots would have to sit in the basic pilot examination. Air Force took certain objections, therefore, for some time we had certain difficulties. But we

have overcome the difficulty and today we have met all our total requirements of pilots."

5.4 The relevant portion of the minutes of the quarterly performance review meeting held on 31-3-1986 on the question of shortage of pilots is given below :—

"In regard to the availability of pilots for the six Airbus A 310-300 aircraft which Air-India is going to receive during this year, the Managing Director stated that in the absence of clearance from the BPE/ACC for deputation of IAF pilots, they will be facing an acute shortage particularly when the 5th and 6th aircraft are delivered.

Secretary remarked that this was a serious problem and some solution had to be found immediately."

5.5 Ministry of Civil Aviation, however, informed in a written reply to the Committee that :—

"There is no acute shortage of pilots in Air India. A study conducted in this regard revealed that there is a marginal shortage. Appropriate remedial action being taken in this regard."

5.6 Asked what was the reason for withdrawal of approval for extension of services granted to certain pilots in the wake of acute shortage of pilots, Air India stated in a written reply :—

"The guidelines regarding extension of service have been applied in the case of pilots also and extensions once approved have been withdrawn on receipt of the latest instructions on the subject."

5.7 Asked about Air India's standard requirement of pilots and the actual strength there against, Air India furnished the following information in a written reply :—

Standard Force as on 1-4-1985 : 236.

Pilots available as on 1-4-1985 : 258.

Standard Force—1986 : 270.

Air India, however, added that the actual number of pilots available for operation as on 1-4-1985 was only 225 as against the standard force of 236. It was mentioned that some were not available for operation due to medical and other reasons and some were on conversion training.

5.8 The Committee were informed in a written reply furnished by the Ministry :—

"Recently a career pattern for the pilots has been formulated between Vayudoot, Indian Airlines and Air India, so that there

is a constant flow of trained pilots each year to Air India, thereby reducing the present reliance on Air Force to provide trained pilots."

B. Resignation of Chairman

5.9 Capt. A. M. Kapur, who was appointed as a part-time Chairman of Air India for a period of two years from 11-6-1984, resigned from his post on 3-12-1985 before the expiry of his tenure. The Committee noted that it was Capt. A.M. Kapur who had recommend the termination of the London GSA (HTS) in his report presented in February, 1985. According to press reports, Capt. A. M. Kapur was asked to resign from the post because of his reports against the London GSA(HTS). The Committee wanted to know from the Civil Aviation Secretary whether Capt. A. M. Kapur was asked to resign or whether he was dismissed. The Secretary said :—

"No, Sir, I cannot say anything because his letter does not show any such thing."

5.10 The letter of resignation dated 3-12-1985, a copy of which was furnished by the Department of Civil Aviation reads as follows :—

"Under the present circumstances, I feel that it is impossible for me to continue as part-time Chairman of Air India and Indian Airlines. To avoid friction and for smoother working, I hereby tender my resignation with a request that it may be accepted forthwith."

5.11 The Committee pointed out that when the Chairman of the Corporation resigned abruptly, nobody in the Ministry cared to look into the circumstances that led to his resignation, and enquired whether there was any discussion in the Ministry after his resignation, the Civil Aviation Secretary said :—

"No, Sir."

5.12 Asked whether the Secretary was not taken by surprise when Capt. A. M. Kapur gave his resignation, the witness said :—

"Two or three months prior to submitting his resignation, Mr. Kapur was saying that he was rather feeling tired and he would like to resign. On that day he came to me and told me that under the present circumstances, he would not like to continue and that he would like to resign."

5.13 On enquiry whether Capt. A. M. Kapur was asked to go in to the matter regarding the London-GSA (HTS) and to submit a report to Government, the Secretary said :—

“We asked him. I myself said it in December 1984.”

C. Nomination of Director

5.14 The Committee on Public Undertakings have stressed in a number of reports that it is not desirable to have Secretary of the administrative Ministry in the Board of Public Undertakings. It is neither conducive to the autonomy of the undertaking nor does it help in keeping an independent control over the enterprise when the Secretary of the controlling Ministry is on the Board of the Undertaking.

5.15 The Committee observed that Civil Aviation Secretary had been a Director of Air India and recently he was appointed as acting Chairman of Air India. Asked what was the necessity for appointing the Secretary as the Director and also as acting Chairman of Air India, the Ministry of Transport (Department of Civil Aviation) stated in a written reply as follows:—

“There are many undertakings under the Government of India, in which Secretaries are Members of the Board of the Management. With special reference to Air India, it has to be mentioned that considering the important role it plays as the National carrier of this country, it was felt that Secretary, Department of Civil Aviation be nominated as a Director on the Board. This practice started in 1980 and has so far proved to be quite useful in resolving some of the problems which otherwise would have been referred to the Ministry for a decision involving delay in going the final decision. Foreign Secretary, Secretary Expenditure and Secretary (Banking) are also Directors of Air India Board, to facilitate quick decisions involving their Ministries/Departments.

Secretary, Civil Aviation, in his capacity as a Director of the Board, has been appointed as part-time Chairman, Air India due to the resignation of Capt. Kapur in December, 1985. This is only a temporary arrangement.”

5.16 Asked to clarify whether the decisions taken by the Air India Board are re-examined or reviewed by the Ministry, the Secretary, Civil Aviation said during evidence :—

“Yes, I would like to clarify it.”

The witness, however, added :—

“The power given to the Board is such that by and large when the Board takes a decision, it is accepted by the Ministry. By and large, there have been very few cases when it was not accepted.”

5.17 The Committee enquired when a decision taken by the Board in which the Secretary is a member, is forwarded to the Ministry, whether it would be proper for him to sit on his own judgment. In reply the Secretary, Civil Aviation said :—

“If I am there, I am supposed to be in a position to give my best advice. Firstly, why should the Board have a wrong decision. In fact, the very person i.e. the Secretary may prevail upon the Board to take a right decision. Once the Board's decision comes to the Government, firstly, all decisions do not come to the Government except those where some policy matters are there, in the Ministry it has to be examined. Not only in the Ministry, but sometime, we have to ascertain the views of other Ministries. But whenever a case occurs, it is decided in consultation with Finance Ministry, Economic Affairs, Government's decision in as Government and not as one Ministry.”

D. “*Namaskaar*”

5.18 ‘NAMASKAAR’ the Inflight Magazine of Air India was first published in December 1980, when it was being printed outside India. However, since February, 1984, it is being published in India and the Publishers are M/s. Asia Publishing House, Delhi. This is a bio-monthly publication and in terms of the contract 40,000 copies of each issue are being given to Air India free of cost. Air India assists the publishers in obtaining advertisements for Namaskaar but the revenue derived from the advertisements goes to the Publishers.

5.19 Asked to indicate the numbers of advertisements collected since February 1984 for the magazine and the total revenue earned through the advertisements so far; the Ministry of Civil Aviation informed in a written reply :—

“The number of pages of advertisements in the magazine from February, 1984 to November/December 1986 is 411. Air India has no information regarding the revenue earned through advertisements. There is no provision in the existing agreement between Air India and the Publishers to divulge this information.”

5.20 Air India reportedly issues free economy class tickets to those writers, photographers and members of Editorial Board who contribute towards the production of Namashkar printed all such requests are made through the publisher M/s Asia publishing House. On enquiry about the number of free air tickets issued by Air India and the total amount of fare thereof it was stated in written reply (6-1-1987) that the number of free air tickets issued by Air India from February 1984 to date was 3 and the total fare came to Rs. 25,359.

5.21 On further enquiry as to why this inflight Magazine should not be printed and published at the Air India printing press, it was stated in a

written reply that the Air India printing press does not have the capacity, manpower and equipment required to produce such a magazine. It was further stated that printing of Namaskaar would involve heavy capital investment of Rs. 63.00 lakhs towards the printing machine, additional staff recruitment numbering 18 in different categories, two shift working and considerable idle time of the equipment as 'Namaskaar' is bi-monthly magazine. Asked about the cost of producing the magazine, if attempted by Air India, the Civil Aviation Ministry in a written reply stated as below :—

"If Air India were to undertake the printing and publishing of 'NAMASHKAAR' in-house it is estimated that the total cost of production would be Rs. 10 lakhs for 40,000 copies. This cost would no doubt, be off set against the revenue derived from advertising. There are, however, many difficulties which Air India will have to encounter if they start printing this magazine themselves. Obtaining foreign art paper would be a major problem in view of the excise duty involved, shortage of paper etc. Secondly, all publishers including the present one, appoint agents in various countries to obtain advertisements. This is going to be difficult for Air India as even present publisher is experiencing great difficulty in getting the requisite number of advertisements. Finding a reputable printing press to undertake this task will also be difficult."

5.22 The contract with the present publishers is until December 1988. The contract could be terminated by giving notice of 12 months but the notice in term of the contract cannot be given prior to December 1988. The Civil Aviation Ministry informed that :—

"The period of the agreement was kept at five years terminable by one year's notice thereafter due to the fact that the publishers explained that this venture was being undertaken in India for the first time and they would have to set upon fresh infrastructure at considerable cost. This would not be economically viable if the agreement was for only 3-4 years and they, therefore, desired that the agreement should be until December 1988. Taking into consideration the publishers plea, it was agreed by Air India that the agreement should run upto December, 1988."

5.23 Air India has been facing acute shortage of pilots. As against the standard force of 236 actual number of pilots available for operation as on 1-4-1985 was only 225. While the Managing Director of Air India claimed before the Committee that the problem of shortage of pilots has been overcome, the Civil Aviation Ministry admitted that a study conducted in this regard revealed a marginal shortage. The Managing Director also however seemed to have stated later in the Ministry's performance review meeting that Air India would be facing an acute shortage in the absence of clearance for deputation of IAF pilots. The Committee are of the view that instead of relying largely on Air Force for trained pilots, Air India should undertake scientific long term manpower planning to avoid such problems in future. The Committee have been informed that recently a

career pattern has been evolved for constant flow of trained pilots each year to air India through Vayudoot and Indian Airlines. The Committee would like to be informed of the action taken to implement this formulation and how far this is helping Air India in getting the requisite number of pilots.

5.24 Capt. A. M. Kapur, the part-time Chairman of Air India resigned from his post in December, 1985 before the expiry of his tenure. Without sitting in judgement on the issues that led to his resignation, the Committee feel that such action as had been taken in this case was unusual and leaves much to be desired. The Committee hope that the normal procedure of reviewing performance of top incumbent and taking suitable action by Ministry would be followed in future.

5.25 The Committee on Public Undertakings have stressed in a number of reports that it is not desirable to have Secretaries of Ministries in the Board of Public Undertakings. It is neither conducive to the autonomy of the undertaking nor does it help in keeping an independent control over the public enterprises when the Secretary of the controlling Ministry is on the Board of the Undertaking. The Committee, however, note that Air India Board had in the past a number of Secretaries of Government including Civil Aviation Secretary as its Members for one reason or the other. The Committee desire that this practice should be reviewed in the light of the Committee's observations above.

5.26 In Committee's opinion Air India's contract with Asia Publishing House, Delhi for publication of its inflight magazine 'Namnskaar' is also not beyond criticism. The Committee see no reason for contracting out the work to a private firm considering the facts that Air India is having a printing press of its own and as admitted by the Ministry, the revenue derived from advertising could doubtlessly off-set the cost of production of the magazine. In the Committee's view, the contract entered into with Asia Publishing House is not in the interest of Air India. The Committee feel that the problems likely to be faced if publication is attempted by Air India are not unsurmountable. The Committee, therefore, recommend that Air India should itself attempt publication of the magazine and terminate the contract with Asia Publishing House forthwith.

5.27 The Committee also see no justification for issue of free air tickets to the writers and others contributing to the magazine on the recommendations of the Asia Publishing House particularly, when the firm seems to be earning sufficient revenue from advertisement procured on the assistance of Air India. This should stop forthwith. The Committee also feel that even otherwise the five year contract and requirement of one year's

termination notice thereafter represent an unduly long period which needed to be brought down to a reasonable level.

5.28 The Committee recommend that BPE should issue suitable guidelines in this regard keeping in view the need to safeguard the interests of public undertakings while entering into contract with private parties on matters like this.

NEW DELHI ;
April 15, 1987

Chaitra 25, 1909 (S)

K. RAMAMURTHY,
Chairman
Committee on Public Undertakings

APPENDIX

Statement of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report

Sl. No.	Reference to Para No. in the Report	Conclusions/Recommendations
1	2	3
1.	1.32 and 1.33	<p>Agents in various cities of the world are appointed by Air India in terms of the resolutions of the International Air Transport Association (IATA). Air India has reportedly appointed 76 General Sales Agents (GSAs) in the entire system out of whom 39 are airline parties and the rest non-airline parties. The Committee's examination of Agency System with particular reference to Air India's London GSA has brought to light some serious irregularities and loopholes in its working. These are discussed in the subsequent paragraphs.</p>

The Committee do not approve of excessive commission over and above the commission structure prescribed by IATA being paid to GSAs for offering discounts in the market on Air India's behalf. The Committee are distressed to find that the discounting practice introduced in the wake of fierce competition has opened flood-gate of corruption, malpractices and irregularities as dealt with in subsequent chapter of this Report. Such practices not only violate IATA agreements and results in lower yields to the Corporation but provide enough scope for unhealthy collusion of Air India officials with the GSAs who are then enabled to defraud the Corporation of huge sums in the form of commissions and other benefits for the agents and themselves. Admittedly, it is not certain whether the discount is really passed on to passengers in full or in part particularly during the peak seasons.

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Besides, such payments cannot be legitimately reported upon under any legitimate head of accounts. The Committee are perturbed to know that this practice has been going on with impunity and with the tacit approval of the Ministry. The Civil Aviation Secretary's attempt to justify such payments on commercial considerations is hardly convincing. The Committee desire that instead of Air India being forced to resort to such unethical practices the matter should be taken up with the Fair Deal Monitoring Group of IATA for effective implementation of tariff integrity measures by various airlines and also to bring GSAs within the ambit of IATA regulations so as to prevent GSAs from being used as conduits for offering discounts by airlines. Simultaneously, the matter should be taken up with the concerned governments for enlisting their cooperation in the matter and if need be, the fare structure may be rationalised depending upon the market conditions resulting from inter-airline competition.

2. 1.34

The Committee have been informed that under the Air Traffic Conference, no GSA is encouraged in USA. In India, the need for having GSAs, according to Civil Aviation Secretary, is due to undercutting of fares by foreign airlines particularly in Delhi sector. Ironically, Air India claimed that better market order prevailed in India today after launching Yield Improvement Programme in April, 1982. The Committee are at a loss to understand why Government have not so far considered the need for having a legislation to prohibit undercutting of approved fares and to ban appointment of non-airline parties as GSAs within our country, as is done in USA with a view to improve the effectiveness of the Yield Improvement Programme and to eliminate unethical practices and also to obviate unhealthy competition among airlines. The Committee desire that the Government should take immediate action in this direction.

3. 1.35

The Committee deplore that the person who committed grave irregularities and malpractices and whose services as GSA were terminated in London has been

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allowed to continue to function as GSA for Northern India in the name of Janata Travels. The Committee were astonished to hear from the Civil Aviation Secretary that no complaint has been received against the GSA in Northern India. The Committee on Public Undertakings in 1979-80 and 1980-81 had recommended that there should be a thorough probe into the appointment and performance of Janata Travels, the GSA in Northern India in view of complaints. Nothing has been done so far in this matter. The whole thing gives rise to suspicion that officials are still hand in glove with the GSA. It is Committee's firm opinion that a thorough review of the working of Janata Travels with a view to ascertain as to how far it has helped Air India is called for.

4. 2.99

The Committee had gone into the details of the issues relating to over-payment of incentive commission to Air India's London GSA—Hindustan Travel Service (HTS) which had been reported in the press and also figured in Parliamentary questions. Their examination reveals that the matter was examined by not less than six enquiry committees including the two by former Chairman of Air India and the Chief Vigilance & Security Manager (CVSM) of Air India. All reports except that of a former CMD of Air India (Shri Raghu Raj), have brought out a number of malpractices and frauds committed by HTS and some top officials of Air India and also malfunctioning of Air India's London Office. The final report of the enquiry committee headed by a Joint Secretary of the Ministry of Civil Aviation was expected to be submitted sometime in 1986. The Committee would like to be informed of its findings. What is shocking to the Committee is that inspite of the findings of all these enquiry reports no action was taken by Air India against the officers of the HTS until the matter was taken up by the Committee.

5 2.100
to
2.102

The CVSM of Air India had found after investigation that the overpayment made to HTS as on 26 June, 1983 was of the order of Rs. 98 lakhs. According to Air India this was due to the misunderstanding of the

London Manager (Shri S.S. Kaul) in regard to the sanction of incentive commission made in October 1982 for the financial year 1982-83. The Committee are not at all convinced of this flimsy reason given for an incredibly huge overpayment made to a private party which went unchecked for nearly eight months. Attributing London strike by Air India's staff for the failure of the concerned Department in detecting the overpayment in time does not stand to reason. The Committee note that the strike had ended in August 1982 itself and the so-called discrepancy in sanction arose in October, 1982 while the overpayment reportedly came to the knowledge of Accounts Department only in May 1983. All this speaks of volumes of lack of supervision and gross mismanagement at various levels and in various departments of Air India.

2.101

What is intriguing is that with a view to regularise this overpayment, the incentive structure was revised by the Commercial Headquarters three months after the financial year 1982-83 and was given retrospective effect from 1st April, 1982 in violation of all norms of financial propriety. Surprisingly this was stated to have been done with the approval of the then Chairman-cum-Managing Director (CMD). This is not all. What is more shocking and most disturbing is that the finally approved incentive structure was fixed at a level higher than the structure recommended by the London Manager and at a level higher than the scale on which the GSA had been operating. This is in spite of the fact that the volume of traffic carried in India/UK route was lower than the target and operating loss in this route was as much as Rs. 4.83 crores as against the anticipated profit of Rs. 0.06 crore in 1982-83. Obviously, this could not have happened without the connivance of some officials in the top echelon.

2.102

The vigilance and other enquiries have indicted the London Manager (Shri S.S. Kaul), the Commercial Director (Shri H.M. Kaul) and the Regional Director—UK (Shri F.E. Da Gama) on various grounds as listed out in section 'C' of this Chapter. The role played by

Shri S.S. Kaul against whom prosecution had been recommended by the Chief Vigilance Commissioner of the Government of India for defrauding the Corporation is conspicuous. Shri H.M. Kaul in his capacity as Commercial Director also allowed Shri S.S. Kaul to voluntarily retire in violation of M.D.'s specific instructions for placing him under suspension. What is worse is subsequent to this, Shri H.M. Kaul himself sought retirement and was also allowed to retire voluntarily without any action being taken against him. To say the least, this is reprehensible. The retirement benefits due to these officials have reportedly been withheld. The Committee would like to be apprised of the legal action taken against Shri S.S. Kaul and the departmental action taken against Shri F.E. De Gama. The Committee require that appropriate legal action should also be initiated against Shri H.M. Kaul on the basis of the findings of CVSM without any loss of time.

6. 2.103

The Committee feel that the role played by the then CMD Air India (Shri Raghu Raj) was not above criticism. He was consistently defending the excessive incentive payment made to M/s. HTS and also some of the decisions taken in his time have on subsequent investigations been proved to be partially motivated. As all the enquiries held so far were headed by the officials within or connected with Air India and many pertinent questions still remained unanswered, the Committee suggest that CBI should probe into the matter as recommended by the CVSM of Air India in order to have an impartial enquiry and to bring all facts to light.

7. 2.104

Another disquieting feature that came to light during the Committee's examination was inadequacy in the service regulations of Air India Employees. There was reportedly no provision in the Air India Employee's Service Regulations to withhold permission for voluntary retirement of S/Shri S.S. Kaul and H.M. Kaul even when vigilance enquiry was going on against them. The Committee have been informed that only now rules have been amended to rectify the deficiency. The

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Committee desire that a copy of the amendment made in the rules be furnished to the Committee. The Committee further recommend that the BPE should critically review the Service Regulations of Air India Employees with a view to identify any other similar shortcomings in the rules and ensure that there is no room for loopholes in future.

8. 2.105

The Committee have also been informed that Air India could not take timely action against guilty officials due to the requirement that the concurrence of Central Vigilance Commission (CVC) had to be obtained before taking action against officials drawing more than Rs. 1800 basic pay. The Committee note that Air India's Vigilance report was forwarded to the Central Vigilance Commission on 8th July, 1985 and CVC's advice in this regard was received sometime in December, 1985. In the meantime, Shri H.M. Kaul had reportedly taken recourse to voluntary retirement on 31st August, 1985. The Committee feel that obtaining, of concurrence from CVC for disciplinary action against an Officer is a time consuming process. The long time involved in this process affords an opportunity to the affected person to manipulate things. Hence, the Committee recommend that all the public sector undertakings should be empowered to initiate action against the officials suspected to be guilty without waiting for the formal concurrence of CVC. In such cases the CVC can be asked to act as a reviewing or supervisory authority. The Committee, further feel that it is high time that the rules of CVC in this regard are re-examined with a view to remove the lacunae, if any.

9. 2.106
to
2.109

Air India's London GSA-Hindustan Travel Service had been committing countless irregularities and malpractices some of which have been mentioned in section 'B' of this Chapter. To state very briefly these include fraudulent financial practices like claiming excessive commission, preferring duplicate claims, not surrendering commissions on refunds, charging incorrect fares etc. and blocking of Air India funds by refusing to make payments in time. The Committee also note that the memorandum submitted to them

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by the proprietor of HTS contained several references to secret deliberations of Air India Board and wondered how such secret information reached HTS. This could not have been possible without the collusion of Air India officials. Though there had been complaints against HTS from various quarters since 1979 and suggestion for the termination of its agency from some responsible officers and enquiry committees, Air India management did not consider it necessary to take any action against the GSA. The reasons are not difficult to understand. It was only in October 1985 after the Committee started examining the matter in depth that Air India issued termination notice to HTS and its services were terminated with effect from 30th April, 1986.

In regard to the notice period for termination, though the IATA stipulation is only for 60 days' notice, special favour had been shown to HTS by incorporating a six months notice period in the contract. This was reportedly done in April 1980 by the then Regional Director—UK (Shri Periera) with the approval of the then Dy. Managing Director (Shri I. D. Sethi). Both of them have since retired from service. What particularly irks the Committee more is that even when this fact was brought out by Capt. A. M. Kapur in his report (Feb. 1985), the management was not vigilant enough to amend the contract suitably without loss of time. As a result when ultimately it was decided to serve notice for termination, the Managing Director claimed before the Committee that Air India had no option but to go by six months notice period. The Committee hold the Mg. Director responsible for this lapse. What is worse is that the six months notice period had its inevitable adverse impact on the revenue realisations as admitted by the Civil Aviation Secretary.

Incidentally, the Committee had indicted in 1979 S/Shri I. D. Sethi and H. K. Mallik on the grounds of accepting lavish hospitalities from parties having business connections with Air India and unauthorised issue of

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complimentary passes and considered that it would be unwise on the part of Air India to allow such people to hold responsible positions. The Committee regret to note that Shri I. D. Sethi apparently did not mend his ways and subsequently in 1980 interfered in the matter of showing special favour to HTS as discussed in the previous paragraph. Shri H. K. Malik incidentally appears to have been given promotion subsequently.

The Committee are painfully shocked to know that the outstandings from HTS as on 15th Feb. 1986 were of the order of Rs. one crore. This included dues from 1982-83 onwards. The outstandings from other GSA's are, however, recovered as far as possible within the credit period granted to them. The Committee would like to be apprised of the present position. In case, the dues still remain unrecovered the Committee should be informed of the reasons. The Committee feel that there could be no difficulty in recovering the dues as the same party continues to represent as GSA (Janata Travels) in northern India. If the party still refuses to make payment that would form more than sufficient ground for terminating his GSA forthwith in northern India and to initiate legal action for recovery of dues without any further delay.

10. 2.110

It is a matter of grave concern for the Committee to note that some documents relating to the outstandings of the year 1982-83 have not been submitted even now. More seriously, the files pertaining to incentive filings for 1982-83 have been missing from commercial headquarters since August 1983. This is indicative of the state of affairs in the Air India in a vital field. The Committee did not expect an expression of helplessness from the Mg. Director on this score. The Committee would like Air India to investigate the matter again and fix responsibility for missing of vital documents from the Corporation.

1. 2.111

The Committee got an impression that Air India Board had remained almost a passive witness to what was going on in regard to the GSA matter. It does

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not seem to have taken any serious note of the grave malpractices and irregularities committed by HTS and the misuse of authority by responsible officials. No clear cut direction was given even when advice was sought from the Board by the Mg. Director. At one stage when the Mg. Director invited the Board to advise the management suitably in regard to continuance or otherwise of the GSA—HTS, the Board reportedly expressed the view that "it cannot be expected to decide on this aspect and it is for the Management to decide." The Committee observe that in terms of Section 4 of the Air Corporations Act 1953, the management of the affairs of the Corporation is vested in the Board of the Corporation. The Committee desire that at least in future the Board should effectively involve itself in the affairs of the Corporation and give the necessary guidance where it is sought by the management.

12. 2.112

The Government can also not be absolved of the blame in this matter. All the happenings could have been averted had the Government taken appropriate action on the recommendations of the Committee made in 1978-79 and reiterated in 1980-81. No independent probe was instituted by Government as repeatedly stressed by the Committee keeping in view the complaints received even before 1978-79 against the appointment of Janata Travels as GSA in Northern India and against the person who controlled the business in UK and northern India. No convincing explanation has been given to the Committee. The Committee hope that at least now Government will realise and take earnest action on the recommendations of this Committee.

13. 2.113

The Committee are not happy with the procedure of allowing agents to deduct their commissions and incentives at source. The Committee feel that payments should be made to Agents only after proper scrutiny of documents and determination of exact amount of commission and incentives by Air India. This will compel the agents to deposit the sale proceeds of tickets and render full account in time for getting expeditious payment of the Commission. The procedure should be

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| | | modified accordingly in order to protect the interests of Air India. |
| 14. | 2.114 | The Committee are constrained to point out that the practice of giving incentive commission to GSA is replete with glaring irregularities and dubious deals. They would like that the expert Committee recommended by the Committee in their 14th Report (1986-87) should undertake a thorough critical examination of incentive commission paid to various GSAs by Air India during the last 5 years with a view to bring out shady dealings and involvement of officials and plug the hole which is proving to be waterfall of malpractices. The Committee would also like that the agreements entered into with all GASAs should be critically reviewed with a view to incorporate all deficiencies pointed out in this report and to see whether there is any deviation from the standard agreement in any case. Amendments should be carried out in those agreements immediately on the basis of the outcome of this review. |
| 15. | 3.13 | The working of Air India's London office is a typical case of mal-functioning. According to the findings of audit, the administrative set up at the London office was quite disorganised; duties and responsibilities were not clearly defined, internal control and internal checks were very weak; there was lack of clear-cut policy and directions; there was no proper system of filing. Besides all these the office was largely overstaffed. The Committee hope that at least now the management will take some imaginative steps to put this office in order and utilise the surplus staff if any, within the organisation. The Committee would like to be informed of the measures taken in this regard. |
| 16. | 3.14 | Air India has reportedly appointed Gimvale Ltd. trading as Welcome Travels as its new GSA at London with effect from 1st November, 1986. The selection and appointment of this new GSA shows that Air India still does not attempt to free itself from the unsavoury episodes. Gimvale Ltd. was selected for appointment not on its own merits but on the merits of another agency |

viz., S. K. Travels. Such strange happenings cannot happen anywhere else. S. K. Travels one of the IATA Agents at London is stated to have produced maximum business for Air India during April—August 1986. The Committee would not have had any reason to doubt, if the S. K. Travels had been appointed as GSA on the condition that it should leave the IATA agency within a specified time. Instead what Air India did was to appoint some one else viz. Gimvale Ltd. in its place. According to the standard practice, no IATA agent nor any one who is linked to an IATA agent is appointed as GSA, as the GSA could influence the commercial policy and or management decisions of the IATA agent against the interests of Air India. The Committee regret to note that M/s. Gimvale Ltd. is linked to the IATA Agent—S. K. Travels and has been appointed only because it is linked to the IATA Agent. This is clearly in deviation of the standard practice and obviously detrimental to the interests of Air India. What is worse is that in order to cover up this matter, the Financial Link Clause in the standard format of GSA agreement has been extensively modified. The Committee suggest that an independent probe by a body or eminent person not connected with Air India or Civil Aviation Ministry should be instituted with a view to ascertain the correct facts and any underhand dealing behind the deviation from the standard practice.

17. 3.15

There are certain other disconcerting features in the agreement entered into with Gimvale Ltd. which are given below :

- (i) Though, an irrevocable bank guarantee has been furnished by Gimvale Ltd. The Committee are at a loss to understand why no provision for bank guarantee or for raising it in future to match the productivity level was incorporated in the agreement entered into with the Gimvale Ltd. In the case of the HTS, provision for bank guarantee was incorporated in the supplementary agreement.

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- (ii) The bank guarantee provided by the Gimvale Lt. was £ 1.2 million apparently with a reporting period of four weeks. The Committee note that the HTS had furnished £ 0.7 million as bank guarantee with the reporting period of 10 days. Going by this reckoning, the bank guarantee required to be furnished by Gimvale Ltd. would work out to be not less than £ 2.0 million if the reporting period is four weeks. The Committee would await an explanation in this regard.
- (iii) The Committee note that inspite of the undesirable experience with the HTS, no caution has been taken by Air India to include a clause in the agreement relating to malpractices with a proviso for immediate termination on this ground. This should be done without delay.
- (iv) The Committee note that the agreement with the Givmale Ltd. is only for passenger sales. The Committee would like to be informed of the arrangement made in regard to cargo sales.
- (v) The Committee would also like to be informed of the reasons for omitting the supplementary agreement.

18. 3.16 The Committee suggest that the selection of GSAs and periodical review of their performance should be made by the Air India Board or a Board level Committee and the quantum of incentive commission if at all to be paid should also be decided and continuously reviewed by the Board or by a Board level committee.
19. 4.39 & 4.40 A service enterprise like Air India should be customer-conscious in order to earn and maintain its image. Air India has, however, of late come in for criticism that it runs a second class service and that its inflight and ground services have been markedly poor. More seriously, there have been complaints about bribery and corruption at Airports and Booking Offices. Off-loading of passengers having confirmed and re-confirmed tickets has been a frequent recurring phenomenon.

The quality of food served in the Air India flights reportedly is below the expected standard. Under the circumstances it did not come as a surprise to the Committee that Air India's share in traffic has been declining over the years as dealt with in the 14th Report of this Committee. The Committee need not over emphasise that in a fiercely competitive industry, it is necessary to maintain the appeal among customers by personalised and courteous services and efficiency of operations. Air India seems to have derived satisfaction that the number of complaints received was not too high. The Committee are of the view that instead of expecting the passengers to take the trouble of making complaints and suggestions Air India should evolve a machinery which should approach all the passengers regularly and ascertain their experience particularly with Agents and about other services on ground and on board. The Committee feel that analysis of information collected thereby will clearly bring out all the areas of shortcomings and weaknesses and help taking corrective action.

The Committee are of the view that existence of any malpractices and corruption would bring immense damage to business than any thing else. The Committee, therefore, suggest that any case of violation of regulations by officials or by agents should be severely dealt with.

20. 4.41

An analysis of the delay in departures during the first seven months of 1984 carried by Air India show that on an average 65 flights per month were delayed due to reasons within the control of the Management. This is inspite of post flight analysis carried out by Punctuality Committees and a Senior Punctuality Coordinated Committee. The Committee desire that there should be no let-up in the efforts to achieve maximum on-time departure of flights. Wherever there is any delay in any flight, the reasons therefor should be promptly examined and corrective steps taken immediately.

21. 4.42

The Committee are surprised to know that Air India does not maintain any statistics about off-loaded

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passengers having confirmed tickets. Without this the Committee wonder what sort of review Air India have been carrying out in regard to overbooking profiles. This explains the reason why there has been frequent off-loading of passengers inspite of the review of overbooking profiles. The Committee desire that at least now steps should be taken to maintain statistics about off-loaded passengers so that the review made in this regard is objective and purposeful.

22. 4.43

Air India's record in the matter of safety and security of operations shows that these are yet to be made fool proof. During the last 5 years, there were 4 accidents to Air India aircrafts including the major air crash of 'Kanishka' in June, 1985, there was one incident of hijacking, a couple of instances of security lapses at the Bombay airport involving entry of outsiders into the operational area of the airport and into the aircraft, one instance of aircraft straying-off course due to failure on the part of pilot and a case of Air India aircraft carrying two teenaged stowaways. Aeronautical Inspection Directorate has also reportedly noticed defects in Air India aircraft in the nature of minor inspection lapses or discrepancies in documentation. The Committee desire that effective and preventive measures should be taken to make safety and security operations fool-proof.

23. 4.44

The Committee note the prevailing practice in Air India vesting the flight commander with discretionary powers on the question of off-loading the baggage of 'Gate-no-show' passengers. The Committee regret to note that this practice admittedly was not reviewed by Air India even after Kanishka crash which is attributed to a bomb explosion. In Committee's view this practice constitutes a serious security hazard inasmuch as it leaves chances for a person to pass on a baggage containing incriminating material without boarding the flight. While Air India claimed that no written instructions clarifying the position in this regard were received from the Director—Civil Aviation Security, the Civil Aviation Ministry informed

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the Committee that instructions had been issued to Air India to ensure off-loading the baggage of any passenger who did not board aircraft. The Committee desire that there should be no confusion and uncertainty in matters concerning security. The Committee, therefore, recommend that written instructions in this regard should be issued in unambiguous terms.

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5.23

Air India has been facing acute shortage of pilots. As against the standard force of 236 actual number of pilots available for operation as on 1-4-1985 was only 225. While the Managing Director of Air India claimed before the Committee that the problem of shortage of pilots has been overcome, the Civil Aviation Ministry admitted that a study conducted in this regard revealed a marginal shortage. The Managing Director also however seemed to have stated later in the Ministry's performance review meeting that Air India would be facing an acute shortage in the absence of clearance for deputation of IAF pilots. The Committee are of the view that instead of relying largely on Air Force for trained pilots, Air India should undertake scientific long term manpower planning to avoid such problems in future. The Committee have been informed that recently a career pattern has been evolved for constant flow of trained pilots each year to Air India through Vayudoot and Indian Airlines. The Committee would like to be informed the action taken to implement this formulation. and how far this is helping Air India in getting the requisite number of pilots.

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5.24

Capt. A.M. Kapur, the part-time Chairman of Air India resigned from his post in December, 1985 before the expiry of his tenure. Without sitting in judgement on the issues that led to his resignation, the Committee feel that such action as had been taken in this case was unusual and leaves much to be desired. The Committee hope that the normal procedure of reviewing the performance of top incumbent and taking suitable action by Ministry would be followed in future.

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| 26. | 5.25 | <p>The Committee on Public Undertakings have stressed in a number of reports that it is not desirable to have Secretaries of Ministries in the Board of Public Undertakings. It is neither conducive to the autonomy of the undertaking nor does it help in keeping an independent control over the public enterprises when the Secretary of the controlling Ministry is on the Board of the Undertaking. The Committee, however, note that Air India Board had in the past a number of Secretaries of Government including Civil Aviation Secretary as its Members for one reason of the other. The Committee desire that this practice should be reviewed in the light of the Committee's observation above.</p> |
| 27. | 5.26 | <p>In Committee's opinion Air India's contract with Asia Publishing House, Delhi for publication of its inflight magazine 'Namaskaar' is also not beyond criticism. The Committee see no reason for contracting out the work to a private firm considering the facts that Air India is having a printing press of its own and as admitted by the Ministry, the revenue derived from advertising could doubtlessly off-set the cost of production of the magazine. In the Committees' view, the contract entered into with Asia Publishing House is not in the interest of Air India. The Committee feel that the problems likely to be faced if publication is attempted by Air India are not unsurmountable. The Committee, therefore, recommended that Air India should itself attempt publication of the magazine and terminate the contract with Asia Publishing House forthwith.</p> |
| 28. | 5.27
&
5.28 | <p>The Committee also see no justification for issue of free air tickets to the writers and others contributing to the magazine on the recommendations of the Asia Publishing House particularly when the firm seems to be earning sufficient revenue from advertisement procured on the assistance of Air India. This should stop forthwith. The Committee also feel that even otherwise the five year contract and requirement of one years' termi-</p> |

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nation notice thereafter represent an unduly long period which needed to be brought down to a reasonable level.

The Committee recommend that BPE should issue suitable guidelines in this regard keeping in view the need to safeguard the interests of public undertakings while entering into contract with private parties on matters like this.

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