

THIRTY-FIFTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1987-88)

(EIGHTH LOK SABHA)

AIR INDIA—WORKING RESULTS AND TRAFFIC
GROWTH



सत्यमेव जयते

LOK SABHA SECRETARIAT
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CORRIGENDA TO 35TH ACTION TAKEN REPORT OF COMMITTEE
ON PUBLIC UNDERTAKINGS (1987-88)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1987-88)

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Shri Vakkom Purushothaman

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2. Shri Ananda Gajapathi Raju
3. Shri K. P. Singh Deo
4. Shri Dinesh Goswami
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2. Shri R. D. Sharma—*Chief Financial Committee Officer.*
3. Shri Rup Chand—*Senior Financial Committee Officer.*

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

(1987-88)

1. Shri Vakkom Purushothaman—*Chairman*
2. Shri K. H. Ranganath—*Convener*
3. Shri K. P. Singh Deo
4. Shri Dinesh Goswami
5. Shri Zainul Basher
6. Prof. P. J. Kurien
7. Prof. Saif-ud-din Soz

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 35th Report on Action Taken by Government on the recommendations contained in the 14th Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Air India—Working Results and Traffic Growth.

2. The 14th Report of the Committee on Public Undertakings was presented to Lok Sabha on 5 March, 1987. Replies of Government to all the recommendations contained in the Report were received on 3 December, 1987. The replies of Government were considered by the Action Taken Sub-Committee of Committee on Public Undertakings on 20 January, 1988. The Committee also considered and adopted this Report at their sitting held on 20 January, 1988.

3. An analysis of the action taken by Government on the recommendations contained in the 14th Report (1986-87) of the Committee is given in Appendix IV.

NEW DELHI;
28, January 1988.

8, Magha 1909 (Saka)

VAKKOM PURUSHOTHAMAN,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fourteenth Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Air India—Working Results and Traffic Growth which was presented to Lok Sabha on 5 March, 1987.

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

(i) Recommendations/observations that have been accepted by the Government:

Sl. Nos. 3—5, 7—9, 12—14, 16 and 20.

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

Sl. Nos. 2, 6, 15, 18, 19, 21 and 22.

(iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:

Sl. Nos. 1 and 17

(iv) Recommendations/observations in respect of which final replies of the Government are still awaited:

Sl. Nos. 10, 11 and 23.

3. The Committee desire that the final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.

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

A. Critical examination of Air India by an expert Committee

Recommendation Sl. No. 1 (Paragraph 1.54)

4. The Committee have found that during the period 1979-80 to 1983-84 all but three routes operated by Air India had incurred heavy operating losses. The one route which made huge profits of

the order of Rs. 310 crores during the period was India-Gulf route. If the profits of this route alone are excluded for the purpose of evaluation, the resulting picture would present a very dismal situation in as much as the Corporation's net loss would work out to be a staggering figure of Rs. 240 crores during 1979-84. The Committee have also found that the growth rate of India-Gulf route has already slumped from 34.4 per cent to Zero. Growth in the recent past with no signs of improvement in the foreseeable future. Another point of grave concern noticed by the Committee is that Air India's share in international traffic has been showing a downward trend in the past few years. This clearly showed that all was not well with the Corporation. The Committee therefore, recommended that an expert Committee should be appointed to undertake a thorough critical examination of the affairs of Air India in all its spheres and go into the problems faced by Air India in competing with the foreign airlines and suggest measures to achieve its rightful place in the international air transport industry.

5. In their reply, the Government have stated that the present Board of Directors of Air India consists of eminent persons from diverse fields and includes, *inter alia*, a banker, industrialists, a management and training expert and an authority from the field of mass communication. The Government have also stated that this Board has already identified the thrust areas which would require constant attention and improvement. Some specialised agencies have been assigned the task of studying specific problems and recommending improvements which need to be brought about. In addition, a Strategic Planning Group within the Corporation is stated to have been set up to formulate corporate strategies relating to marketing, equipment, organisational and financial planning. Once the strategies formulated by them are approved by the Board of Directors, they would get converted into operational objectives and subsequently would form the basis for the business plan of Air India. It has been stated further that these measures should meet the objectives which the Committee had in view while making this recommendation.

6. The Committee are not satisfied with the peace-meal approach to study the problems of Air India which would obviously result in lack of perspective and comprehension. What the Committee intended was a thorough critical examination of the affairs of Air India in all its spheres by an expert Committee so that in the light of its findings appropriate action could be taken to achieve a rightful place for Air India in the international air transport industry.

The Committee, therefore, reiterate that an expert independent Committee should be asked to go into the problems of Air India and suggest suitable measures to check the downward trend in the Air India's share in international traffic and to achieve its rightful place in the international aviation sector. The Committee would like to be apprised of the action taken on this recommendation within six months from the date of presentation of this report.

B. Discontinuance of service in India-Zimbabwe route

Recommendation Serial No. 3 (Paragraph 1.56)

7. The Committee had observed *inter alia*, that India-Zimbabwe route has incurred cash losses since inception in 1981 except during 1983-84. In this context, the Committee expressed a feeling that there is no case for operating any route without recovering even the direct cost except for a brief period as a promotional venture unless Government in public interest direct the Corporation otherwise.

8. The Government, in their reply, have stated that services on India-Zimbabwe route has since been discontinued.

9. The Committee note that Air India has discontinued the services on India-Zimbabwe route in its commercial interest. The Committee would, however, like to emphasise that Air India should constantly review the traffic potential on this and other routes where there are cash losses with a view to take steps to renew/introduce service or to discontinue service as the situation may demand.

C. Cost-revenue ratio of the station at Rome

Recommendation Sl. No. 9 (Paragraph 1.62)

10. The Committee had, *inter alia*, observed from the information furnished by the Corporation that the revenue earned by the station at Rome has always been far less than the direct cost incurred by it during the 5 year period 1979-84. The Committee were of the view that *prima facie* there was no justification for continuing the station at Rome when its revenue could not meet the direct cost of its operation even in a single year during the 5 year period from 1979-80 to 1983-84. The Committee desired to be apprised of the commercial justification for operating this station.

11. The Government have *inter alia*, stated in their reply that Rome also serves stations like Milan, Athens, whereby the entire cost i.e. landing, handling etc. is taken in the expenses of Rome

- c while the revenue generated by Milan and Athens is not taken to the account of Rome. This results in Rome having high cost revenue ratio while Milan, Athens, having a very low cost revenue ratio. The details of the revenue earned from operations to and from Rome and direct cost of the station were stated to be as follows:—

	Corporation revenue earned to/from Rome	Direct costs at Rome (Rs. in lakhs)
1979-80	1544.34	499.30
1980-81	1633.14	493.15
1981-82	1616.92	434.30
1982-83	1860.02	508.56
1983-84	2062.15	598.24
1984-85	2010.10	636.46
1985-86	1784.93	653.31

12. The Committee made its observation on the basis of information furnished earlier by Air India in the form of statement in a written reply. According to Air India's earlier information, revenue earned by the Rome Station during the five years from 1979-80 to 1983-84 was Rs. 367 lakhs, Rs. 322 lakhs, Rs. 361 lakhs, Rs. 363 lakhs and Rs. 507 lakhs. These figures related to the revenue earned by the station at Rome excluding the revenue generated by Milan and Athens as now explained by the Ministry. The Committee do not understand how the discrepancy in regard to computation of cost and revenue of the station at Rome was allowed to creep in the earlier information furnished to the Committee giving a misleading picture. The Committee hope that necessary care would be taken to ensure that such mistakes do not recur in future.

The Committee also note that whereas the revenue earned by the Rome Station for the years 1984-85 and 1985-86 has declined as compared with the revenue earned in the year 1983-84, the direct costs incurred by the station during the years 1984-85 and 1985-86 has shown substantial increase as compared with the direct costs incurred in the year 1982-83. The Committee desire to be apprised of the reasons therefor.

*D. Directions by Government***Recommendation Sl. No. 12 (Paragraph 2-31)**

13. In regard to issue of directions by Government under the Air Corporations Act, the Committee made the following observation:

“There are some routes for instance India-Zimbabwe, India-Canada and India-Mauritius routes which are not recovering even the direct operating cost but are continue to be operated on national considerations. There are also Government directed mandatory fares which are less than normal rates applicable to export of cargo keeping export promotion in view which eventually lead Air India's freighter operations into a loss. As per section 9 of the Air Corporations Act, Air India is expected to function as far as may be on commercial principles. Section 34 of the Act provides for reimbursement of loss on the operation of any uneconomic service or other activity established or altered or continued on the directions of Government provided there was overall loss. The Committee, however, find that no directions have been given by the Government under Section 34 of the Act so far, but informally Government want some routes to continue. Directions have also been issued by Government regarding mandatory rates on cargo but apparently not under Section 34 of the Act. The Committee are of the view that the services and activities which cannot be justified on commercial considerations but are desired by Government on national considerations should be covered by directions under Section 34 of the Act. The direction given by the Government under Section 34 of the Act and the effect thereof should be published in the Annual Reports of Air India in future for information of Parliament and the public.”

14. The Government have stated in their reply that the recommendation of the Committee that services which cannot be justified on commercial considerations but are desired by Government on national considerations should be covered by directions under Section 34 of the Act is accepted.

15. The Committee are glad to note that Govt. have accepted their recommendations. But the Ministry's reply is silent as to whether Govt. have now given specific directions to cover services such as on

India-Canada and India-Mauritius routes which are operated on national considerations. The Committee would like that this should be done immediately, if not already done, and the information in this regard should be published in the Annual Reports of Air India for the information of Parliament and the Public.

E. Payment of subsidy to Air Corporations

Recommendation Sl. No. 13 (Paragraph 2.32)

16. In regard to the question of reimbursement of loss, the Committee had made the following recommendation:—

“Regarding the question of reimbursement of loss incurred on the routes continued on the desire of Government and loss on account of mandatory fares, Government has taken a plea that Air-India has been making an overall profit. In this connection, the Committee recall their recommendation in 42nd Report (1981-82) on “Indian Airlines” to the effect that the desirability of amending Section 34 of the Air Corporations Act to make provision for payment of subsidy without regard to the overall working results may be considered. Government has not furnished any final reply on this recommendation. The Committee cannot but deplore the slackness on the part of Government in considering their recommendation made as long back as in 1981-82. The Committee desire that this should be considered without any further delay keeping in view the need of the Corporation to generate internal resources.”

17. The Govt. have stated in their reply that the recommendation of the Committee for making suitable amendments in Section 34 of the Air Corporations Act, 1953 is accepted in principle.

18. The Committee would stress that steps should be taken immediately to amend the Air Corporations Act in order to make provision for payment of subsidy to Air Corporations without regard to their overall working results.

F. Decline in carriage of foreigners

Recommendation Sl. No. 17 (Paragraph 3.42)

19. The Committee had made the following recommendation:—

“The Committee observe from the statistics provided by Air India on the basis of the Quarterly Nationality Sample Survey that the percentage of foreign nationals carried by

Air India sharply declined from 35.9 per cent in 1982 to 30.9 per cent in 1983 and further to 29.1 per cent in 1984. The Committee take a serious view of this phenomenon. It appears that Air India has not made any in-depth study of this serious malaise as to why foreigners do not prefer to travel by Air India and what best could be done to rectify the situation at the earliest. The Managing Director's attempt to simplify the position stating that "This is probably a matter which depends on what capacity the other airlines are using and to what extent that affects us" only shows that the problem is not seen in its proper perspective and with the urgency it deserves. The Committee desire that the expert Committee recommended in para 1.54 earlier may pay special attention to this aspect of the problem while critically examining Air India. Incidentally, the Committee would suggest that instead of relying on Quarterly Sample Surveys to ascertain the nationality of passengers, Air India should adopt a regular practice of obtaining information from the passengers on their nationality when booking their seats which would enable an analysis of the tourist arrivals over a period and facilitate comparison for appropriate action."

20. The Govt. have stated in their reply that Air-India improved its passenger load factor from 65.4 per cent in 1983-84 to 65.9 per cent in 1984-85 and 66 per cent in 1985-86. This is stated to be an indication of the fact that there has been an increase in the number of passengers carried by Air-India. As regards obtaining information on passengers' nationality who arrive in India, it has been stated that this matter will be examined in consultation with the immigration Authorities as the exact information is available with them. It has been pointed out in this connection that collecting similar information for the passenger nationality when they book their seats, would not be feasible, as booking can be done anywhere by the passenger e.g. directly with Air-India office, through travel agents or through other airlines.

21. The Committee are unhappy to note that the Ministry has not replied to the point raised by the Committee in regard to carriage of foreigners by Air India and also examination of this problem by expert committee. Instead the Ministry has given the figures of overall load factors which in no way, can be taken as an indication of improvement in the carriage of foreign nationals. The Committee, therefore, reiterate that the problem of declining trend in the carri-

age of foreigners should be gone into by the expert committee for taking suitable measures to reverse the trend.

22. As regards obtaining information on the nationality of passengers who arrived in India, the Committee would like to be informed of the final outcome of the examination of the matter in consultation with Immigration Authorities.

G. Inter-firm comparison

Recommendation Sl. No. 21 (Paragraph 4.34)

23. The Committee observed that staff costs as percentage of total operating cost in Air India was in the range of 16½ per cent during the last 3 years which was considerably lower as compared to a number of other airlines whose staff costs were between 25 per cent and 35 per cent. The Committee noted that this point only highlighted the fact that the percentage of cost of other items of expenditure in Air India is on rather high side. The Committee desired that immediate steps should be taken to identify the high cost centres in Air India's operations and effective measures be undertaken to keep the various items of cost within the normal limits. The Committee also suggested that a regular and systematic study of inter-firm comparison on various aspects of working should be made by the Corporation to the extent the information from other airlines is available.

24. The Government have stated in their reply that the basic reason for Air India's staff costs being lower than those of other airlines is that 90 per cent of the staff are based in India where the salary level is substantially low as compared to those in foreign countries. Consequently the staff cost for AI is comparatively low as compared to other airlines. However, this does not mean that percentage of cost of other items of expenditure of AI is rather on high side.

25. There is no response from the Ministry to the suggestion of the Committee regarding inter-firm comparison. The Committee hope that Air India has taken note of this suggestion and will take necessary action and apprise the Committee in this regard.

H. Indices of productivity

Recommendation Sl. No. 22 (Paragraph 4.35)

26. The Committee had observed that index of staff productivity expressed in terms of Available Tonne Kilometres (ATKM) per employee is replete with a number of drawbacks as this could be influenced by many factors which are independent of the employees efforts and felt that the formulae (a) Revenue Tonne Kilometres per

employee and (b) Operating Revenue per employee are more appropriate and could be considered as better indices of staff productivity. The Committee recommended that as agreed to by the Managing Director of Air-India, in future the staff productivity should be indicated in terms of RTKM per employee and operational revenue per employee and should be shown in the annual report of the Corporation. As it was not clear as to what were the reasons for the decline in the growth rate of productivity of Air India over the years, the Committee desired clarification in this regard alongwith the steps proposed to be taken for augmentation of productivity growth.

27. The Government have stated in their reply that Air-India have examined this matter in all its aspects and is strongly of the view that RTKM would not serve as the correct indicator for the reason that it is influenced by various factors such as competitive selling, market condition, war, calamities, unscheduled and unplanned cancellations of flights. The Govt. have stated further that notwithstanding the stand of Air-India, the Ministry of Civil Aviation will direct Air-India that in addition to giving the figure of ATKM per employee as an index of productivity, figures of RTKM per employee should also be given.

28. The Committee desire that in addition to giving the figure of ATKM per employee as an index of productivity, figures of RTKM per employee and operational revenue per employee should also be shown in the Annual Report of the Corporation. Incidentally, the reply is silent on the reasons for decline in the growth rate of productivity over the years. the Committee would like to be apprised in this regard.

I. Corporate plan and implementation of BPE guidelines

Recommendation SI. No. 23 (Paragraph 5.10)

29. The Committee had desired that Corporate Plan should be prepared by Air-India in consultation with the BPE as assured by the Managing Director and a copy of the Corporate plan forwarded to the Committee for information. Further, the Committee had observed that some of the BPE guidelines such as on use of official car for private purposes and norms for hiring of residential accommodation etc. have not been implemented by Air-India. The Committee desired that the Administrative Ministries should satisfy themselves of the reasons for non-implementation of the BPE guidelines in respect of undertakings under their control and as agreed to by the Civil Aviation Secretary, the extent of implementation of BPE

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guidelines on important matters along with Ministry's views on the guidelines not implemented by the undertakings should be brought out in the Annual Reports of the Administrative Ministries as well as undertakings. The Committee further recommended that this recommendation of the Committee may be brought to the notice of all Administrative Ministries by BPE for implementation.

30. The Government have stated in their reply that Air India has taken cognisance of the comments of the Committee on Public Undertakings regarding preparation of a Corporate Plan and that work on the preparation of such a plan is already in hand and a firm of consultant appointed to conduct this study on a priority basis.

31. The Ministry's reply is silent on the Committee's recommendations that implementation of BPE guidelines and views of the Ministries on guidelines not implemented by undertakings should be brought out in the Annual Reports of the Administrative Ministries as well as of the undertakings and that this recommendation be brought to the notice of all Ministries by BPE for implementation. The Committee would await the information as to whether Bureau of Public Enterprises has circulated the recommendation of the Committee to all Administrative Ministries for taking necessary action.

32. The Committee also desire that corporate plan of Air India should be prepared expeditiously and a copy forwarded to the Committee for information.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 3 (Paragraph No. 1.56)

The first seven loss-making routes mentioned in the previous paragraph also incurred cash losses in one year or other during the period. India-Bangladesh route which had been incurring cash losses over the years has since been closed down. India-Zimbabwe route has incurred cash losses since inception in 1981 except during 1983-84. Air-India has planned to restructure this route by combining India/Harare and the Nairobi terminator services in order to improve the performance in this route. The operations on India-Canada route have been suspended since July, 1985. The other four routes are stated to be presently making surplus over cash costs. The Committee feel that there is no case for operating any route without recovering even the direct cost except for a brief period as a promotional venture unless Government in public interest direct the Corporation otherwise. After a year or two of sustained efforts, the matter should be reviewed in order to take a view on its continuance. The Committee hope in this connection that the assurance of Air-India that by 1986-87 no single route is expected to incur cash losses is not belied.

Reply of the Government

The reply given in response to Committee's recommendation at para 1.55 may kindly be seen. During 1986-87, all routes except the India-Zimbabwe have shown cash surpluses. Services on the India-Zimbabwe route has been discontinued.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dated 30th Nov. 1987.]

Comments of the Committee

(Please see paragraph 9 of Chapter-I of the Report)

Recommendation Sl. No. 4 (Paragraph No. 1.57)

India-Gulf route has been the revenue spinner for Air-India inasmuch as the airlines earned a profit of Rs. 53 crores in 1981-82,

Rs. 95 crores in 1982-83 and Rs. 120 crores in 1983-84. The Committee, however, find that the growth rate in number of passengers on this route which registered an increase from 17.3 per cent in 1979-80 to 34.4 per cent in 1981-82 has fallen sharply to 9.3 per cent in 1982-83 and recorded a nil growth rate in 1983-84 and 1984-85. According to the Managing Director of Air-India, there will be no further growth. Rather a negative growth on this route may be expected in the foreseeable future. Thus the only major source of revenue for Air-India is tapering off. The reason for this phenomenon is attributed to the cut back on foreign workers employed in Gulf countries following reduction in oil prices and resultant fall in the economic activities in these countries during the last few years. The Committee cannot but emphasise the need for aggressive sales strategy by the Corporation to ensure that Air-India at least retains its share of the traffic on this lucrative route.

Reply of the Government

The following measures have been taken by Air-India in the recent past to improve its performance on the India-Gulf route:—

- (i) *Increase in frequencies on Gulf sectors:* As compared to 39 frequencies per week operated in 1984-85, Air-India has progressively increased its frequencies on the India-Gulf route to 44 per week in 1985-86, 48 per week in 1986-87 and 53 per week during the winter schedule 1987-88. With the existing level of frequencies, Air India is fully utilising its bilateral entitlements. Priority is being given to the Gulf region in terms of schedules, departure timings and frequency spread.
- (ii) *Point to point operations:* To provide a better product, instead of multi-sector operations, point to point services have been introduced to Bahrain, Doha, Jeddah and Kuwait. Dubai and Kuwait have been linked with direct services to Trivandrum. In addition, with effect from January, 1987, direct point to point operations between Delhi and Kuwait, Muscat, Dubai and Abu Dhabi have also been introduced.
- (iii) *Direct operations to interior points in India:* The existing bilateral agreements precluded Air India from introducing direct services from Doha/Bahrain/Muscat to Trivandrum. In order to facilitate the passengers from these

areas, travelling to Trivandrum, Air-India has introduced twice-weekly operations with convenient timings between Bombay and Trivandrum effective summer 1987.

As a result of these measures, Air India's market share on the India-Gulf sectors has improved from 33.3 per cent in 1985-86 to 35.6 per cent in 1986-87.

While the measures taken have enabled Air India to marginally increase its market share on this route in 1986-87 as compared to 1985-86, the keen competition amongst the carriers operating on this route would influence market fares with a consequent drop in yields and revenues.

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Recommendation Sl. No. 5 (Paragraph No. 1.58)

Air-India's performance on its freighter services operations was no better. Of the five routes of freighter services operated by Air-India (two routes incurred operating losses and three routes made profits during the 5 years period 1979-84. These are India-UK (Rs. 1.60 crores loss), India-Europe (Rs. 3.54 crores loss), India-USA (Rs. 1.80 crores profit), India-Japan (Rs. 3.54 crores profit) and India Zurich (0.77 crore profit). The India-Europe route was in the red successively for four years during 1980-84 reportedly due to directional imbalances in the load and due to most of the exports being under the Government controlled mandatory rate. The route, however, has earned a profit of Rs. 1.54 crores in 1984-85. The Committee suggest that the Corporation should examine whether the directional imbalances in freighter services could be removed or lessened by entering into agreements with the other airlines on the question of transport of cargo or by taking alternative steps in this regard.

Reply of the Government

The performance of freighter operations has improved considerably and the operations during, April 1986/March, 1987 shown an operating profit of approx Rs. 13.00 crores. The requirement of freighter operations are also under periodical review. While directional imbalances were prevalent during 1979-84, particularly on

the Europe-UK routes no such imbalances exist now on account of the following factors:

- (a) A vigorous marketing effort has been initiated which includes the conversion of certain commodities from sea to air.
- (b) An agreement was entered by Air-India with Lufthansa in 1986-87 under which 60 tons of space per week are given to LH on a definite basis for carriage of cargo from India to Frankfurt to India.
- (c) The liberalisation of the import-export policy in 1985.
- (d) Declaration of a 3 years import-export policy encouraging imports in order to increase production of the exportable commodities, thus giving a boost to exports.

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Recommendation Sl. No. 7 (Paragraph No. 1.60)

The Committee find that the return on capital employed by Air-India was 12.6 per cent in 1982-83 and 14.7 per cent in 1983-84. Though Air-India's achievement in this regard was better than a number of other airlines, its achievement was nowhere near comparison with British Airways or SAS whose return on capital employed was 36.5 per cent and 26.6 per cent respectively in 1983-84 (In terms of profit Rs. 365 crores and Rs. 127 crores respectively). The Committee recommend that the strategy adopted by these airlines should be gone into by Air-India with a view to improving its profitability.

Reply of the Government

In the aviation industry any return on capital in excess of 10 per cent is considered to be highly satisfactory. Thus the Corporation's performance is above the industry norms. Vis-a-vis the return of 36.5 per cent achieved by British Airways, it may be reckoned that in view of privatisation the loans of British Airways had been written off, thus enabling them to show a better picture. However, the Committee's recommendation with regard to strategy and improvement of profitability has been noted.

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Recommendation Sl. No. 8 (Paragraph No. 1.61)

The Committee note in this connection that one of the factors affecting the profitability of Air-India is the price of Aviation Fuel which is very high in India compared to ATF price prevailing abroad. Its impact on Air-India was in the range of Rs. 13 crores to Rs. 18 crores during 1982-83 to 1984-85. The Committee note that Air-India's cost of operations was higher than many airlines like PANAM, Qantas and Singapore airlines during 1979-83. The Committee recommend that in order to bring down the cost of Air-India's operation and considering the need for generation of more internal resources, Air-India's plea for reduction in ATF prices or grant of bulk discount should be considered afresh by the Ministry of Petroleum.

Reply of the Government

The recommendation of the Committee has been noted. Ministry of Civil Aviation has already taken up this matter with the Ministry of Petroleum and Ministry of Finance. Keeping in view the overall import requirements of the petroleum sector, the pricing policy and foreign exchange implications, the proposal for reduction in the price of ATF was not accepted. It is relevant to mention that while the price of ATF for domestic use has been changed many times, ATF prices for inter-national travel has remained unchanged since 1980.

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Recommendation Sl. No. 9, (Paragraph No. 1.62)

The Corporation is at present having a net work of 45 on-line stations, 71 off-line offices and 22 Sales representatives in India and overseas. Air-India claims that all on-line stations are fully justified. The Committee, however, find from the information furnished by the Corporation that the revenue earned by the station at Rome has always been far less than the direct cost incurred by it during the 5 years period 1979-84. The Committee are of the view that *prima facie* there is no justification for continuing the station at Rome when its revenue could not meet even the direct cost of its operation even in a single year during the 5 year period 1979-84. The Committee would like to be apprised of the commercial justification for operating this station. The Committee would also like that the working of on-line stations and off-line offices be continuously monitored and periodically reviewed.

Reply of the Government

Rome is India's first gateway point on three of its Europe/UK flights and besides catering to traffic between Italy and India, also serves as a gateway of traffic for other European countries. Further, Rome also serves stations like Milan, Athens, whereby the entire cost i.e. landing, handling, etc. is taken in the expenses of Rome while the revenue generated by Milan and Athens are not taken to the account of Rome. This results in Rome having high cost revenue ratio while Milan, Athens, having a very low cost revenue ratio.

Recommendations of the Committee have been noted and the working of all on-line and off-line stations is continuously monitored and review done periodically. For the information of the Committee, details of the revenue earned from operations to and from Rome and direct cost of the station are given in the figures furnished below:

	Corporation revenue earned to/from Rome	Direct costs at Rome (Rs. in lakhs)
1979-80	1544.34	499.30
1980-81	1633.14	493.15
1981-82	1616.92	434.30
1982-83	1860.02	508.56
1983-84	2062.15	598.24
1984-85	2010.10	636.46
1985-86	1784.93	653.31

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Comments of the Committee

(Please see paragraph 12 of Chapter-I of the Report).

Recommendation Sl. No. 12 (Paragraph No. 2.31)

There are some routes for instance India-Zimbabwe, India-Canada and India-Mauritius routes which are not recovering even the direct operating cost but are continued to be operated on

national considerations. There are also Government directed mandatory fares which are less than normal rates applicable to export of cargo keeping export promotion in view which eventually lead Air-India's freighter operations into a loss. As per section 9 of the Air Corporations Act, Air-India is expected to function as far as may be on commercial principles. Section 34 of the Act provides for reimbursement of loss on the operation of any uneconomic service of other activity established or altered or continued on the directions of Government provided there was overall loss. The Committee, however find that no directions have been given by the Government under Section 34 of the Act so far, but informally Government want some routes to continue. Directions have also been issued by Government regarding mandatory rates on cargo but apparently not under Section 34 of the Act. The Committee are of the view that the services and activities which cannot be justified on commercial considerations but are desired by Government on national considerations should be covered by directions under Section 34 of the Act. The direction given by the Government under the Section 34 of the Act and the effect thereof should be published in the Annual Reports of Air-India in future for information of Parliament and the Public.

Reply of the Government

The recommendation of the Committee that services which cannot be justified on commercial considerations but are desired by Government on national considerations should be covered by directions under Section 34 of the Act is accepted.

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Comments of the Committee

(Please see paragraph No. 15 of Chapter-I of the Report)

Recommendation SI, No. 13 (Paragraph No. 2.32)

Regarding the question of reimbursement of loss incurred on the routes continued on the desire of Government and loss on account of mandatory fares, Government has taken a plea that Air-India has been making an overall profit. In this connection, the Committee recall their recommendation in 42nd Report (1981-82) on "Indian Airlines" to the effect that the desirability of amending Section 34 of the Air Corporations Act to make provision for payment of subsidy without regard to the over-all working results may

be considered. Government has not furnished any final reply on this recommendation. The Committee cannot but deplore the slackness on the part of Government in considering their recommendation made as long back as in 1981-82. The Committee desire that this should be considered without any further delay keeping in view the need of the Corporation to generate internal resources.

Reply of the Government

The recommendation of the Committee for making suitable amendments in Section 34 of the Air Corporations Act, 1953 is accepted in principle.

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Comments of the Committee

(Please see paragraph No. 18 of Chapter-I of the Report)

Recommendation SL No. 14 (Paragraph No. 2.33)

Air-India's share of international traffic from and to India has gradually declined from 42.1 per cent in 1981 to touch a new low of 35.9 per cent in 1984. Thus the imbalance has accentuated over the years instead of being rectified in favour of Air-India as recommended by the Committee on Public Undertakings (1980-81) in their 12th Action Taken Report (Seventh Lok Sabha). Air-India submitted a report to the Ministry in August 1980 regarding nine bilateral agreements wherein Air-India proposed restriction of capacities, curtailment of rights and frequencies and in some cases termination of the existing agreements. The Committee are disappointed to know that Air-India's attempts to get the imbalances in bilaterals redressed have not been successful due to lack of proper response from the Administrative Ministry. Of the 9 bilaterals, Air-India could revise only two agreements in its favour, the rest have been either turned down by the Ministry or awaiting Government's review/approval, in spite of Air-India's continued persistence in the matter over the last 5 years. The Ministry's contention that as long as Air-India retains its right to operate to countries where it has not been able to operate at present due to capacity constraints is only being oblivious of the fact that Air-India's overall share has greatly deteriorated over the years. The Committee desire that the Ministry should undertake immediate evaluation of all the bilaterals to correct the imbalances keeping in view Air-India's capacity expansion programmes for the near future. The Committee in this

connection note that there has been considerable delay in renegotiating the agreement with Air Canada with a view to claiming compensation after the stoppage of Air-India's operations after Kanishka disaster on 23-6-1985. The Committee would like to be apprised of the result of the negotiations with Air Canada.

Reply of the Government

Negotiating a new bilateral agreement and amending the existing ones is a long drawn out and complicated process. Bilateral air agreements and commercial arrangements entered into between airlines are under constant review. Termination of an agreement has far reaching implications. While Air-India may not benefit directly from a particular air services agreement, the advantages that accrue to the country in the form of foreign exchange earned, landing and navigational charges, fuel charges, employment opportunities and inflow of tourists cannot be ignored. Keeping in view these advantages and the interests of Air-India, the Ministry of Civil Aviation keep reviewing the bilateral agreements in order to achieve the maximum advantage for the country.

The progress made in reviewing the 9 bilateral agreements referred to by the Committee in its recommendation may be seen in the attached note (Appendix II). It would be noticed that the changes made resulted in an improved level of receipts for Air-India.

The Committee had specifically desired that it should be apprised of the results of the negotiations with Air Canada. The details of the negotiation may be seen at para 2(i) of the attached note (Appendix II).

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Recommendation Sl. No. 16 (Paragraph No. 3.41)

For the Seventh Five Year Plan, Air India projected a traffic growth of 8 per cent which has now been revised to 6 per cent at the instance of Government as the projected rate was considered too high in comparison with Industry's then project growth of 4 per cent. In Air-India's opinion its projected growth of 8 per cent is supportable as the Corporation has for the last 15 years achieved a higher average annual growth rate than the Industry. Further, the Industry itself has now revised its projections upward and expects a 6 per cent growth in world wide traffic. What concerns the

Committee more is that the 6 per cent rate of expansion would barely cater to foreseeable growth on present routes leaving no capacity available for expansion into new routes/areas. The Committee recommended that the Corporation's proposal for 8 per cent growth rate should be considered by the Planning Commission keeping in view the need to improve Air India's share in international traffic and to gear up Air India's capacity in the face of expected tourist arrivals by 1990 provided Air India could meet its requirements without any budgetary support from the Government. The Committee are glad to observe in this connection that Air India has generated Rs. 320 crores from internal resources during the Sixth Plan period as against the target of Rs. 283 crores.

Reply of the Government

The recommendation of the Committee that its original proposal for an 8 per cent growth rate during the 7th Plan period be considered favourably by the Planning Commission is taken note of. The 8 per cent growth during the 7th Five Year Plan of Air India envisaged budgetary support to the extent of Rs. 135 crores from the Government. As the Planning Commission did not provide for any budgetary support Air India had to scale down its growth rate which is now reckoned at around 4 per cent during the 7th Plan period.

If Air-India has to grow at a higher rate then it is imperative that the gap between the outlay and the resources would have to be met by budgetary support.

[Ministry of Civil Aviation O.M. No. H-11013/1/87-AA
dt. 30 November, 1987]

Recommendation Sl. No. 20 (Paragraph No. 4.33)

On the supply side, the efficiency of an airline is indicated by the number of hours per day an aircraft is utilised on an average. Though Air-India's position in 1983-84 compares favourably with the Industry average as informed by the Corporation, the Committee find that the overall aircraft utilisation in hours per day which was 9.55 hrs. in 1978-79 has declined to vary in the range between 8.18 hrs. and 8.78 hrs. during 1979-84. The Committee hope that with the phasing out of B-707 aircraft the overall position will improve.

Reply of the Government

During the year 1978-79, the Corporation had a fleet of 9 B707 aircraft and 6 B747 aircraft and the average utilisation achieved on these aircraft was 8.91 hours and 10.57 hours per day respectively. Since then considerable changes have taken place in the operating pattern and fleet position of Air-India. The 707 was gradually phased out during the period 1980-81 to 1986-87. The 747 fleet has been increased from 6 aircraft to 10 aircraft and we have also acquired 3 A300-B4 in 1982-83 and 6 A310 aircraft in 1986-87. Due to demand on the Gulf, the short sector operations have also increased from 10,664 hours in 1979-80 to 18,384 hours in 1986-87. With the increase in short sector Gulf operations and ageing of the 747 fleet certain reduction in utilisation is inevitable. In spite of these factors, the Corporation has, with the phasing out of 707s, improved the utilisation from 8.46 hours in 1979-80 to 9.33 hours per day in 1987-88 (April to September).

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dt. 30 November 1987]

CHAPTER III

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

Recommendation Sl. No. 2 (Paragraph No. 1.55)

The Committee find that 13 out of 16 routes of passenger services operated by Air-India have incurred operating losses during 1979—84. These are: (1) India-Canada (Rs. 1.52 crores); (2) India-Australia (Rs. 26.7 crores); (3) India-Singapore (Rs. 8.5 crores); (4) India-E. Africa (Rs. 3.0 crores); (5) India-Mauritius (Rs. 4.0 crores); (6) India-Zimbabwe (Rs. 4.7 crores); (7) India-Bangladesh (Rs. 2.9 crores); (8) India-USA (26.6 crores); (9) India-UK Term. (Rs. 18.8 crores); (10) India-Continent (Rs. 26.8 crores); (11) India-Japan (Rs. 28.9 crores); (12) India-W. Africa (Rs. 0.6 crores); (13) India-Thailand Term. (Rs. 0.5 crores). Two routes viz. India-USSR/UK and India-Zambia made a combined marginal profit of Rs. 7 crores during the period. This state of affairs is stated to be due to intense competition faced by Air-India from other airlines. The Committee wonder what inhibits the Corporation from launching an aggressive marketing strategy to face the competition. Air-India expects only four routes viz. India-USA, India-UK, India-Continent and India-Japan routes to become profitable by 1987-88. This shows that there will be only a slight improvement in the next year. The Committee recommend that concerted and result oriented efforts should be made to make all the routes viable and self-sustaining.

Reply of the Government

The improved financial performance of any airline would ultimately depend on its ability to provide a better product which would include different facets like efficient ground handling; courteous, prompt and personalised inflight service; on-time departure; convenient schedules; point to point direct and faster services, etc. Air-India has taken various steps to improve passengers handling at airports in India. These include:

1. The introduction of Computerised Departure control at Bombay and Delhi airports to speed up check-in of passengers, which is proposed to be extended to Calcutta, Madras, Trivandrum and London and New York airports;

2. AI's active involvement in the planning of Module II at Bombay airport and NITC*, Delhi, with the objective of bringing in a superior range of facilities for passengers;
3. Operation of Enquiry-cum-Reservations counters round-the-clock at Bombay and Delhi airports;
4. Maintaining of constant contact with IATA@ bodies with a view to keeping abreast of passenger and baggage handling procedures. Measures have also been introduced to curtail cases of mishandled baggage;
5. Regular analysis of flight delays with a view to improving on-time performance;
6. Suggestions made to the Ministry and Airport authorities designed to enhance passenger facilitation through customs, immigration, security, health, etc. checks.

The individual improvements brought about on different routes are enumerated in the attached note (Appendix-III). As a result of the steps taken to improve the financial performance, the cash surpluses generated by the corporation increased from Rs. 245.37 crores in 1985-86 to Rs. 287.23 crores in 1986-87. The efforts to improve the performance of the routes by continuous monitoring, concerted marketing efforts and curtailing costs will continue.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dt. 30 November 1987]

Recommendation Sl. No. 6 (Paragraph No. 1.59)

The overall losses incurred by Air-India during 1979-81 were reportedly due to increase in cost of operations as a result of unexpected hike in oil prices in 1979 followed by recessionary market conditions and decline in traffic. The other factors responsible for the losses were stated to be industrial unrest in London and fire at Santa Cruz Airport in September, 1979. The Committee wonder whether some of these factors were not within the control of the management. Air-India's claim that other airlines also incurred losses during this period falls through on a closer scrutiny. While some airlines like British Airways, Saudia and Kuwait Airways incurred losses, a number of other airlines like Air Canada, Swiss Air, Lufthansa, Malaysian Airline System and Singapore Airlines did make profits during this period.

*NITC — New International Terminal Complex.

@IATA — International Air Transport Association.

Reply of the Government

Some of the airlines which have been mentioned in the above paragraphs have a strong domestic network component and other subsidiary activities which add to the revenues and profitability of the organisation as a whole. This aspect has to be taken into consideration while examining the profitability or otherwise of Air India while comparing Air India with these airlines.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dt. 30 November 1987]

Recommendation Sl. No. 15 (Paragraph No. 3.40)

Air India is currently far behind a number of other airlines and ranks as the sixteenth largest carrier amongst IATA airlines in terms of scheduled international tonne kilometres performed. Air India's share of the world-wide Industry's scheduled International traffic has come down from 2.03 per cent in 1980 to 1.92 per cent in 1984. Thus the Air India's achievement in regard to its objective of maintaining and improving its rightful place in the international air transport industry is to say the least dismal. The average annual growth of total RTKMs which was over 13 per cent in 1960s and 1970s has also fallen to 6 per cent during 1980—84. However, certain non-IATA airlines particularly Singapore Airlines and Thai International expanded far more rapidly during 1980—84 primarily due to the vast growth of tourist traffic. The slow down in Air India's traffic growth in the early 1980s is stated to be due to the world recession and generally adverse economic conditions which affected both Air India and the Industry. As a result, Air India's forecast for rate of capacity expansion in the Sixth Five Year Plan was scaled down from 10.5 per cent to 6 per cent. Even this modest target of capacity expansion during 1980—85 was not achieved by Air India reportedly due to delay in according approval by Government for purchase of aircraft.

Reply of the Government

Air India had scaled down its requirement at the Mid-Term Review for the capacity provision based on 10.5 per cent growth rate to 6 per cent growth rate in view of the anticipated impact on traffic due to economic recession in major traffic originating countries as well as Air India's own yield improvement programmes. It may, however, be mentioned that Planning Commission finalises the plan providing larger outlays to the priority sectors. Civil

Aviation is not reckoned as a priority sector). This is reflected in the controlled growth of the organisations in the Civil Aviation Sector and restricted outlays with very little or no budgetary support.

The fleet size and composition in 1984-85 (the terminal year of the 6th Five Year Plan) was exactly as envisaged in the Mid Term Review. However, actual capacity provision fell short of target because of Air India's conscious decision to terminate certain unprofitable services in November 1984. The traffic was also lower than the estimates for 1984-85 because of the wide coverage accorded by the western media to the political disturbances in India and the Bhopal tragedy in the later half of 1984.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dt. 30 November 1987]

Recommendation Sl. No. 18 (Paragraph No. 3.43)

One of the objectives of the Corporation is to promote international tourism in India and to improve the nation's foreign exchange resources. Air India's role in achieving this objective should be clearly spelt out with reference to targets in order to enable an objective appraisal of its performance in this regard. A target of 2.5 million has been set for tourist arrivals into India by 1990. It is not known what percentage of tourist arrivals is expected to be carried by Air India and whether the Air India's projected availability of capacity by 1990 would be adequate to carry this traffic. The Committee would like to be informed of this. In order to help achieve the target of 2.5 million tourist arrivals a decision was taken by the erstwhile Ministry of Tourism and Civil Aviation and supported by Air India Board to promote tourism charters to India. In pursuance of this decision, a series of 14 charters was operated from Zurich and Munich to India in 1982-83 by Air India Charters Ltd., a subsidiary of Air India. No tourist charters were, however, operated by Air India thereafter either due to lack of aircraft capacity or due to the fact that the available capacity did not meet with the requirements of charterers. The Committee cannot but point out how casually the decision has been taken without realistically assessing the likely availability of aircraft capacity. More care should be exercised in future before arriving at such a decision. Recognising the need for coordination at the highest level for promotion of tourism, the Committee on Public Undertakings (1981-82) had recommended appointment of the Chairman of ITDC as a member of Air India's Board. The Committee regret to note that this has not been attempted yet. The Committee hope that this

recommendation will be considered afresh keeping in view the specific role to be played by Air India in tourism promotion and the need to dovetail its plan with the tourism plan.

Reply of the Government

As the Committee is aware, Air India is fully alive to the promotion of tourism. Tourist Charter policy is being Co-ordinated in consultation with the Department of Tourism. However, the suggestion of the Committee regarding the representation of the ITDC|Department of Tourism on the Board of Air India is being re-examined. Efforts are also being made to activate Air India Charters Ltd. Which is a subsidiary Air India. Joint Secretary in the Ministry of Commerce and Addl. DG (Tourism) have been nominated on the Board of Director of this Company.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dt. 30 November 1987]

Recommendation Sl. No. 19 (Paragraph No. 4.32)

On the demand side the efficiency of an airline is indicated by the load factor (percentage of the capacity utilised to the capacity provided). The Committee are disappointed to know that Air India's overall load factor on scheduled international services during 1981-84 has not only deteriorated sharply as compared to other international Airlines but also registered a steep decline as compared to its own achievement in 1981. Air India's overall load factor which stood at 69.6 per cent in 1981 and topped among the ten airlines for which information has been furnished came down steadily to 63.4 per cent in 1984 to figure as the lowest among the ten airlines. All this was in spite of the boom available to Air India on India-Gulf route during the period. This is an unfortunate situation. The downward trend in the load factor is reported to be due to injection of additional capacity during 1982 and 1983 and disturbances in northern India in 1984. Attributing the fall in load factor to the injection of additional capacity is hardly convincing as it is a continuous and common feature to all airlines. As is transpired during oral evidence and as brought out in one of the preceding findings of the Committee, political disturbances in northern India was not the sole factor for the fall in load factor in 1984. This is further substantiated by the fact that there has been considerable shortfall in achieving the annual target of load factor during 1982-83 to 1984-85. The shortfall was in the range of 10 per cent every year.

Reply of the Government

It may be mentioned that Air India improved its passenger load factor on scheduled services from 64.9 per cent in 1982-83 to 65.4 per cent in 1983-84 and 65.9 per cent in 1984-85 despite the uncertain situation in the Indian sub-continent in 1984 commencing with Operation Blue Star. The impact of uncertain condition and certain developments continued for a long time. Furthermore, during the period 1979-80 to 1984-85, the Corporation's capacity on the India-Gulf route increased to 18.5 per cent per annum and the traffic consisting of skilled/semi-skilled workers of Indian nationality increased by 19 per cent thus reflecting its impact on the corporate nationality profile. There has been a negative publicity abroad on the political situation in India and this is borne out by the Government of India Tourist office data of tourism arrivals into India in 1984 as compared to 1983 i.e. (from 8,84,731 to 8,35,503 the drop being as much as 21.8 per cent in the quarter October/December 1984). Even in such a position, Air India improved its passenger load factor from 65.4 per cent to 65.9 per cent.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dated 30 November, 1987.]

Recommendation Sl. No. 21 (Paragraph No. 4.34)

The Committee observe that staff costs as percentage of total operating cost in Air India was in the range of 16½ per cent during the last 3 years which is considerably lower as compared to a number of other airlines whose staff costs were between 25 per cent and 35 per cent. This point only highlights the fact that the percentage of cost on other items of expenditure in Air India is on rather high side. The Committee desire that immediate steps should be taken to identify, the high cost centres in Air India's operations and effective measures be undertaken to keep the various items of cost within the normal limits. The Committee would suggest that a regular and systematic study of inter-firm comparison on various aspects of working should be made by the Corporation to the extent the information from other airlines is available. This will enable an assessment of relative performance.

Reply of the Government

The Committee has commented that Air India's staff cost is 16½% of the total operating cost during the last three years which is considerably lower as compared to a number of other airlines, whose staff costs were between 25 per cent to 35 per cent and percentage

of cost on other items of expenditure in AI is on rather high side. The basic reason for AI's staff costs being lower than those of other airlines is that 90 per cent of the staff are based in India where the salary level is substantially low as compared to those in foreign countries. Consequently, the staff cost for AI is comparatively low as compared to other airlines. However, this does not mean that percentage of cost of other items of expenditure of AI is rather on high side. A more accurate measure would be to calculate the cost per ATKM of each type of expenditure, which in the case of Air-India is well comparable with those of other airlines.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA dated 30 November, 1987.]

Comments of the Committee

(Please see paragraph No. 25 of Chapter-I of the Report)

Recommendation Sl. No. 22 (Paragraph No. 4.35)

Staff Productivity in an airlines is generally expressed in terms of Available Tonne Kilometers (ATKM) per employee which is reported to be the generally accepted standard for measuring productivity of employees in the air transportation business. This index of staff productivity is, however, replete with a number of drawbacks as this could be influenced by many factors which are independent of the employees efforts. For instance, addition made to the existing fleet of aircraft, sub-contracting of major jobs, engagement of external agencies for handling etc. could inflate the ATKM per employee and distort the index. The Committee feel that the formulate (a) Revenue Tonne Kilometres per employee and (b) Operating Revenue per employee are more appropriate and could be considered as better indices of staff productivity. The Committee therefore, recommend that as agreed to by the Managing Director of Air-India, in future the staff productivity should be indicated in terms of RTKM per employee and operational revenue per employee and should be shown in the annual report of the Corporation. The Committee in this connection note that the rate of growth of staff productivity in terms of ATKM per employee has declined over the years but more regrettably the staff productivity has declined in absolute terms as well from 145,460 in 1982-84 to 1.35,300 in 1984-85. The decline in 1984-85 was reportedly due to 3 per cent fall in the capacity offered on account of route rationalisation. It is however, not clear as to what were the reasons for the decline in the growth rate of productivity over the years. The Committee would await an explanation in this regard alongwith the steps proposed to be taken for augmentation of productivity growth.

Reply of the Government

The Committee has recommended that in future, Staff Productivity should be indicated in terms of RTKM per employee and operational Revenue per employee should be shown in the Annual Report of the Corporation. Air-India have examined this matter in all its aspects and is strongly of the view that ATKM which is the accepted norm in most of the airlines as the measure staff productivity should continue to be the measure of staff productivity in the Corporation. RTKM would not serve as the correct indicator for the reason that it is influenced by various factors such as Competitive Selling, market condition, war, calamities, unscheduled and unplanned cancellations of flights. There will be a situation where RTKM might have gone up as also the load factor, but the Revenue might not have gone up for the reason that yield is either low or has dropped. While ATKM is indicative of the productivity of the whole organisation, RTKM and operating Revenue would be more indicative of the performance of a limited number of employees. For the reasons stated above, RTKM and Operation Revenue could not serve as the correct indicator of the staff productivity and ATKM should continue to be adopted as the yard stick for measuring staff productivity. As regards decline in staff productivity in 1984-85, it has been due to the fact that there has been a reduction in capacity offered in 1984-85 as compared to 1983. Notwithstanding the stand of Air-India, the Ministry of Civil Aviation will direct Air-India that in addition to giving the figure of ATKM per employee as an index of productivity, figures of RTKM per employee should also be given.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dated 30 November, 1987.]

Comments of the Committee

(Please see paragraph No. 28 of Chapter-I of the Report)

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

Recommendation Sl. No. 1, (Paragraph No. 1.54)

Air-India was set up under the Air Corporations Act, 1953. The Committee on Public Undertakings had earlier examined the working of this Corporation in the year 1978-79. The Corporation has been making profits since 1981-82 after incurring a loss of over Rs. 36 crores during 1979-81. The profits made by the Corporation were Rs. 10 crores in 1981-82, Rs. 38 crores in 1982-83, Rs. 57 crores in 1983-84 and Rs. 44 crores in 1984-85. The Committee have been informed that the Corporation was expected to make profit of Rs. 65 crores in 1985-86. The Committee are not much impressed by the profits made by Air-India. Their examination of the route profitability profiles of passenger services during the period 1979-80 to 1983-84 reveals that all but three routes operated by Air-India have incurred heavy operating losses during the period. The one route which made huge profits of the order of Rs. 310 crores during the period was Indian-Gulf route. If the profits of this route alone are excluded for the purpose of evaluation, the resulting picture would present a very dismal situation in as much as the Corporation's net loss would work out to be a staggering figure of Rs. 240 crores during 1979-84. This could in no way be considered to be a satisfactory position as claimed by the Corporation. No organisation can survive for long on the success of only one of its segments of operations as has been the case with Air-India which has relied only on India-Gulf route. The Committee find that the growth rate of India Gulf route has already slumped from 34.4 per cent to zero growth in the recent past with no signs of improvement in the foreseeable future. This is bound to have its impact on profits of Air-India in the coming years. Another point of grave concern that came to the notice of the Committee during their examination is that Air-India's share in international traffic has been showing a downward trend in the past few years. These and other findings of the Committee will clearly show that all is not well with the Corporation. The Committee would recommend that an expert Committee should be appointed to undertake a thorough critical examination of the affairs of Air-India in all its spheres and go into the problems faced

by Air-India in competing with the foreign airlines and suggest measures to achieve its rightful place in the international air transport industry.

Reply of the Government

The concern expressed by the Committee and the recommendations made by it have been noted. The present Board of Directors of Air-India consists of eminent persons from diverse fields and includes, *inter alia* a banker, industrialists, a management and training expert and an authority from the field of mass communication. This Board has already identified the thrust areas which would require constant attention and improvement. Some specialised agencies have been assigned the task of studying specific problems and recommending improvements which need to be brought about.

In addition, a Strategic Planning Group within the Corporation has been set up to formulate corporate strategies relating to marketing, equipment, organisational and financial planning. Once the strategies formulated by them are approved by the Board of Directors, they would get converted into operational objectives and subsequently would form the basis for the business plan of Air-India.

These measures should meet the objectives which the Committee had in view while making this recommendation.

[Ministry of Civil Aviation O.M. No. F. 11013/1/87—AA
dt. 30 November, 1987]

Comments of the Committee

(Please see paragraph No. 6 of Chapter-I of the Report).

Recommendation Sf. No. 17, (Paragraph No. 3.42)

The Committee observe from the statistics provided by Air-India on the basis of the Quarterly Nationality Sample Survey that the percentage of foreign nationals carried by Air-India sharply declined from 35.9 per cent in 1982 to 30.9 per cent in 1983 and further to 29.1 per cent in 1984. The Committee take a serious view of this phenomenon. The Managing Director's assertion that the decline in 1984 was on account of the negative publicity abroad on the political situation in Northern India does not carry weight and it does not explain the fall in previous years. The Committee would like to draw the attention of the Corporation to the fact that as stated earlier, there was steady fall in Air-India's share in international traffic from and to India while other Airlines improved their position.

during that period. This only points to the fact that it was not the case of decline in arrivals of foreigners into India but the decline in Air India's carriage of foreigners. The malady appears to be primarily in Air India's service and not so much in any external factor. It appears that Air India has not made any in-depth study of this serious malaise as to why foreigners do not prefer to travel by Air India and what best could be done to rectify the situation at the earliest. The Managing Director's attempt to simplify the position stating that "This is probably a matter which depends on what capacity the other airlines are using and to what extent that affects us" only shows that the problem is not seen in its proper perspective and with the urgency it deserves. The Committee desire that the expert Committee recommended in para 1.54 earlier may pay special attention to this aspect of the problem while critically examining Air India. Incidentally, the Committee would suggest that instead of relying on Quarterly Sample Surveys to ascertain the nationality of passengers, Air India should adopt a regular practice of obtaining information from the passengers on their nationality when booking their seats which would enable an analysis of the tourist arrival over a period and facilitate comparison for appropriate action.

Reply of the Government

The Air-India improved its passenger load factor from 65.4 per cent in 1983-84 to 65.9 per cent in 1984-85 and 66 per cent in 1985-86. This is an indication of the fact that the load factor has been improving considerably. In other words, there has been an increase in the number of passengers carried by Air-India. As regards obtaining information on passengers' nationality who arrived in India, this matter will be examined in consultation with the Immigration Authorities as the exact information is available with them. It may be pointed out in this connection that collecting similar information for the passenger nationality when they book their seats, would not be feasible as booking can be done anywhere by the passenger e.g. directly with Air-India office, through travel agents or through other airlines.

Since the arrival details are available with the Immigration authorities who are under the control of Ministry of Home Affairs, the matter would be taken up with them.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87—AA
dt. 30 November, 1987]

Comments of the Committee

(Please see paragraph Nos. 21 and 22 of Chapter I of the Report).

CHAPTER V

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

Recommendations Sl. No. 10 & 11 (Paragraphs Nos. 1.63 & 1.64)

The foreign exchange earning is one of the important indices of efficiency of an organisation like A.I. India. The Committee were anxious to know Air India's achievements as against the targets in this regard. They were, however, surprised to learn from the Corporation that Air India did not compute the foreign exchange earnings at the time of Annual Plan submission. The reason advanced for this serious lacuna interestingly was that the format prescribed (for annual plan) did not envisage such a calculation. While the Reserve Bank of India formula for foreign exchange calculations is based on cash basis, the accounts are prepared on the mercantile system. The Committee wonder why this matter could not be sorted out with the Reserve Bank of India with a view to work out a uniform method for making projections as well as calculating the actuals regarding foreign exchange earnings. The Committee desire that this should be done immediately and the outcome reported to the Committee within six months of presentation of the Report.

The total foreign exchange earnings of the Corporation were stated to be Rs. 482 crores during 1980-84 and Rs. 177 crores in 1984-85. The Corporation, however, could not furnish the exact outflow of foreign exchange attributable to its operations. Air India informed that the total remittances from India to foreign stations were Rs. 120 crores during 1980-84 which did not take into account the disbursements on various other accounts. The Committee on Public Undertakings (1980-81) had suggested that Government should refer to the Reserve Bank of India the matter regarding computation of net foreign exchange earnings with a view to refining the method by taking into account the indirect foreign exchange expenditure and earnings. The Committee are surprised to note that nothing concrete has been done in this regard even after a lapse of nearly 5 years, especially when the present system of computation is reported to be not favourable to Air-India. The Committee expect that their recommendations are given a serious consideration and in future there should be no

delay in taking action on their recommendations. They would like the Civil Aviation Secretary to take up the matter directly with the Reserve Bank of India in order to arrive at an early date a convenient method of computation regarding foreign exchange earnings.

Reply of the Government

A committee has been constituted to examine the present system of computation of foreign exchange saved/earned by Air-India with the representatives of the Ministry of Finance, Department of Economic Affairs and the Reserve Bank of India. The committee is likely to finalize their recommendations in this regard within a short time.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dated 30th Nov. 1987.]

Recommendation Sl. No. 23 (Paragraph No. 5.10)

Corporation plan is a premier instrument for total management improvement. The Corporation has not prepared any Corporate Plan so far. It is surprising that Air-India was ignorant of the difference between the Five Year Plan and Corporate Plan thus far despite the BPE's guidelines on this having been issued as far back as in 1974. The Committee desire that Corporate Plan should be prepared by Air-India in consultation with the BPE as assured by the Managing Director and a copy of the Corporate plan forwarded to the Committee for information. Further the Committee observe that some of the BPE guidelines such as on use of official car for private purposes and norms for hiring of residential accommodation etc. have not been implemented by Air-India. The Committee desire that the Administrative Ministries should satisfy themselves of the reasons for non-implementation of the BPE guidelines in respect of undertakings under their control and as agreed to by the Civil Aviation Secretary, the extent of implementation of BPE guidelines on important matters along with Ministry's views on the guidelines not implemented by the undertakings should be brought out in the Annual Reports of the Administrative Ministries as well as undertakings. This recommendation of the Committee may be brought to the notice of all Administrative Ministries by BPE for implementation.

Reply of the Government

Air-India has taken cognisance of the comments of the Committee on Public Undertakings regarding a preparation of a Corporate Plan.

2. Work on the preparation of such a plan is already in hand and a firm of consultant appointed to conduct this study on a priority basis.

[Ministry of Civil Aviation O.M. No. H. 11013/1/87-AA
dated 30th Nov. 1987.]

Comments of the Committee

(Please see paragraph Nos. 31 and 32 of Chapter-I of the Report)

NEW DELHI;
28, January, 1988
8, Magha 1909 (Saka)

VAKKOM PURUSHOTHAMAN,
Chairman,
Committee on Public Undertakings.

APPENDIX I

*Minutes of the 26th Sitting of Committee on Public Undertakings
(1987-88) held on 20 January, 1988.*

The Committee sat from 15.30 hrs. to 16.30 hrs.

PRESENT

1. Shri Jagesh Desai—*In the Chair*
2. Shrimati Prabhawati Gupta
3. Shri Damodar Pandey
4. Shri Keshorao Pardhi
5. Shri Harish Rawat
6. Shri Lal Vijay Pratap Singh
7. Prof. Saif-ud-din Soz
8. Shri Krishna Nand Joshi
9. Shri Ram Naresh Kushawaha
10. Shri Chimanbhai Mehta
11. Shri Shanker Sinh Vaghela

SECRETARIAT

1. Shri R. D. Sharma—*Chief Financial Committee Officer.*
2. Shri Rup Chand—*Senior Financial Committee Officer.*

In the absence of the Chairman, the Committee chose Shri Jagesh Desai to act as Chairman for the above said sitting in terms of rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

* * * *

The Committee then considered and adopted the following draft Action Taken Reports, as approved by the Action Taken Sub-Committee with minor changes as shown in Annexure II.

- (i) Action Taken by Government on the recommendations contained in the Fourteenth Report (1986-87) of the Committee on Public Undertakings on Air India—Working Results and Traffic Growth.

* * * *

The Committee authorised the Chairman to finalise the draft Reports on the basis of factual verification by the Ministries and Undertakings concerned and present the same to Parliament.

The Committee then adjourned.

ANNEXURE II

Annexure to the minutes of the 26th Sitting of Committee on Public Undertakings (1987-88) held on 20 January, 1988.

Changes made by the Committee in the Draft Chapter I of Action Taken Report on the recommendations contained in the Fourteenth Report (1986-87) on Air India—Working Results and Traffic Growth

1. On page 4, ~~para 6~~, at the end of the paragraph add a sentence, "The Committee would like to be apprised of the action taken on this recommendation within six months from the date of presentation of this report."
2. On page 4, para 9, line 4 after the words "other routes" add "where there are cash losses."
3. On page 6, para 12, at the end of the paragraph add a sentence, "The Committee also note that whereas the revenue earned by the Rome station for the years 1984-85 and 1985-86 has declined as compared with the revenue earned in the year 1983-84, the direct costs incurred by the station during the years 1984-85 and 1985-86 has shown substantial increase as compared with the direct costs incurred in the year 1982-83. The Committee desire to be apprised of the reasons therefor.

* * * *

APPENDIX II

*Note appended vide reply to recommendation at Sl. No. 14
(para 2.33) of Chapter II*

1.1 Of the 9 bilaterals, Air-India has been able to rectify the impact of rights and opportunities available to the designated airline of these countries under bilaterals by renegotiating the commercial agreements at airline level as indicated below:—

- (i) *Swissair*: After protracted negotiations, the applicable Pooling Arrangements were revised effective April, 1984, substantially increasing the level of AI's receipts. The Pooling Arrangements were again revised in April, 1987 which further increased the level of Air-India's receipts.
- (ii) *LOT-Polish Airlines*: A revised commercial agreement was concluded in July, 1985 providing for a higher level of compensation payment by LOT in respect of their unilateral operations.
- (iii) *Ethiopian Airlines*: After protracted negotiations AI has been successful in concluding a commercial agreement effective July, 1986, in respect of Ethiopian Airlines' unilateral operations. It may be mentioned that under the existing bilateral arrangements between India and Ethiopia, there is no requirement for unilateral operations by the designated airlines of either country to be covered by a commercial agreement.
- (iv) *C.S.A. (Airlines of Czechoslovakia)*: Inter-airline discussions were held in November, 1985. It was agreed that in keeping with the Trade and Payments Agreement between India and Czechoslovakia, CSA, would affect settlements under the commercial agreement, for 3rd/4th freedom carriage in Indian Rupees—Settlements in respect of 5th freedom carriage would continue to be effected in USD. Further, the average tariffs were revised to relate to the one way economy class selling fare in Indian Rupees for the applicable sectors. This revision has resulted in a substantial increase in the compensation payable by CSA to Air-India.

1.2 Air-India is currently making efforts to obtain compensation for the unilateral operations into India by the following airlines:

- (i) *TMA (airline of Lebanon)*: On Air-India's recommendations DGCA have been clearing TMA's schedules only on a provisional basis till such time that AI and TMA hold discussions and conclude a commercial agreement. A meeting between the two airlines is scheduled to be held very shortly. It may be mentioned that under the current India|Lebanon bilateral, TMA are not required to conclude a commercial agreement.
- (ii) *Syrian Arab Airlines*: AI held negotiations with Syrian Arab Airlines to revise the commercial arrangements and increase the level of compensation, but these efforts were unsuccessful. AI will shortly be seeking negotiations with Syrian Arab Airlines to revise the traffic rights granted to this carrier and increase the compensation rates currently applicable on their unilateral operations. Syrian Arab Airlines currently owes Air-India a substantial amount of money on account of interline settlements. Air-India is also examining whether it would be possible to set off Syrian repatriation from India.
- (iii) *Iraqi Airways*: Air-India's efforts to obtain Iraqi Airways' agreement to conclude a commercial arrangement have not been successful so far, partly on account of the difficulties of holding a meeting due to the Iran|Iraq conflict and partly as Iraqi Airways have sought to link this issue with a simultaneous expansion of their opportunities and rights in India, which in turn is unacceptable to Air-India.

1.3 *In respect of SAS and Sabena, the position is as under:*

- (i) *SAS*: On AI filing schedules with Scandinavian authorities to commence operations to Stockholm effective January 1987, the latter pressed for renegotiation of the bilateral to obtain relaxation in the restrictions applicable on SAS's operations to India, and also to obtain rights at Bombay for SAS. However, on their being unsuccessful in obtaining the revision at Government level talks in December 1986, the Scandinavian authorities served notice of termination of the bilateral, to be effective in December, 1987.

- (ii) *Sabena* (Air line of Belgium): At the inter-governmental talks between India and Belgium held in September, 1985, keeping in view of the overall policy considerations, the requirement to promote tourism to India and to reflect the growth in the market, the bilateral arrangements were revised to increase the carriage quotas applicable on *Sabena's* unilateral operations. Under the bilateral, *Sabena's* carriage in excess of the quotas specified from time to time, has been subject to a commercial agreement with Air-India.

2. In addition to the above listed 9 bilaterals, discussions were held with the Governments of Canada and Netherlands and the arrangements revised, in order to obtain a more equitable share of the benefits under these bilaterals as detailed below:—

- (i) A revised agreement was evolved between the Govt. of India and Canada, which reduced the capacity entitlements as also the 5th freedom carriage quotas to bring them more in line with the perceived market requirements for AI and Air Canada. The agreement also obtained for AI, the right to operate to Toronto in addition to Montreal, without the restrictions previously applicable. AI was also granted 5th freedom traffic rights from Toronto beyond to points in North America. In addition to this, the unilateral operations of AC were made subject to a commercial agreement. The commercial agreement is to be operative until 31st December, 1987 or the date AI resumes operations to Canada, whichever is earlier. The revised agreement is more balanced in terms of bilateral entitlements and opportunities it offers to the two airlines.
- (ii) The bilateral arrangements between Indian and Netherlands were revised in Sept. 1987, which now allow both airlines to operate up to 3 transit services per week through each other's country, with KLM not being permitted to operate more than two services per week between DEL and SIN. Further, the operation of the third service on a unilateral basis by KLM is subject to conclusion of a suitable commercial agreement. AI and KLM are in the process of negotiating an agreement in this regard.

APPENDIX III

*Note appended vide reply to recommendation at Sl. No. 2
(Para 1.55) of Chapter III*

1. During 1986/87, several routes reflected a significant improvement in operating results compared to the previous year. These were India/Continent, India/Japan, India/Australia,, India/USSR and the combined freighter services.

2. During this period, there was a considerable increase in the cash surpluses generated by the Corporation, i.e. from Rs. 245.37 crs. in 1985/86 to Rs. 287.23 crs. in 1986/87. Almost all routes contributed to this increase.

3. The measures that have been implemented by Air-India in the recent past to improve the financial performance on routes are enumerated below

3.1 India/USA and India/UK Routes

On the India/USA route, load factors have registered a considerable improvement between 1985/86 and 1986/87, increasing from 69.0 per cent to 75.2 per cent for passenger and from 61.1 per cent to 65.8 per cent in overall load factors. In the first 5 months of the year, the load factors have further improved to passenger 83.5 per cent and overall 72.3 per cent. Various steps have also been taken to increase yields on the route by raising fare levels, between India on the one hand and USA and UK on the other by reducing incentive commissions in the USA and UK regions. Simultaneously, efforts are also being made to increase yields on the UK/USA/UK segment. Effective January 1988, AI's computerised reservations system is proposed to be linked up with the Apollo, Sabre and Pars systems in USA, thereby substantially expanding our distribution network.

On the India/UK route, AI has effective July 1987, introduced two additional B747 frequencies on the routing IND/AMS/LON and v.v., providing a faster one-stop service to the UK. These services which constitute an excellent product to Amsterdam and London are expected to achieve a break-even situation in the near future.

3.2 *India/Continent Route*

With a view to improving the performance on the India/Continent route, AI's pattern of operations to Europe and UK were restructured effective winter 1984, providing thereby non-stop/one-stop services between India and points in Europe. Operating losses on the route which amounted to Rs. 9.66 crs. in 1984-85, dropped to Rs. 5.67 crs. in 1985/86. The route registered an operating profit of Rs. 0.87 crs. in 1986/87. Additionally in the current year, an additional frequency has been introduced effective July, 1987 on the routing IND/FRA/PAR and v.v., increasing the Continental terminators from 4 to 5 per week.

3.3 *India/Japan Route*

Load factors on the India/Japan route reflected an improvement by approx. 3 percentage points in 1986/87 compared to the previous year. While operating revenues increased by 19.3 per cent operating costs rose by only 8.8 per cent, losses consequently declining substantially from Rs. 7.79 crs. in 1985/86 to Rs. 3.03 crs. in 1986/87. Further improvements have been registered in the current year with losses during April/August 1987 declining to Rs. 0.91 crs. compared to Rs. 3.61 crs. during the corresponding period of the previous year.

It would be pertinent to mention that effective April 1987, Hongkong was delinked from the India/Japan route, the thrice-weekly frequencies now operating IND/BKK/JAP and v.v., providing faster services between India and Japan. The route results are expected to continue to reflect an improvement in the coming months.

3.4 *India/Australia and India/Singapore Routes*

The India/Australia route reflected an increase in the level of cash surpluses generated from Rs. 0.97 crs. in 1985/86 to Rs. 1.72 crs. in 1986/87. Losses during this period declined from Rs. 4.39 crs. to Rs. 3.99 crs.

In the current year, a second frequency has been introduced on the route effective July 1987 and a Delhi/Australia link has been introduced for the first time. The product between UK/Europe for and Australia has been considerably improved in the winter 1987 timetable, with connecting times in India being reduced appreciably—in some cases from 4 hours to 2 hours 15 minutes. Various

measures have been introduced to raise fare levels and thereby improve yields on the route and the performance of the route is expected to improve noticeably in the coming months.

On the India/Singapore route, AI is presently fully utilising its bilateral entitlements to Singapore and Kuala Lumpur, having increased its frequencies from 3 B747s in April 1986 to 2 B747s and 5 A310s effective July 1987. Direct services have been introduced between Delhi and Singapore/Kuala Lumpur, Madras is now serviced with terminators and BOM/SIN non-stop services have been introduced for the first time on this route. The significant improvement in product introduced on the India/Singapore route is expected to generate the desired results.

3.5 India/Africa Routes

Adverse economic conditions in most of the African countries have been reflected in the operating results on AI's Africa routes in 1986/87. While the India/E. Africa and India/W. Africa routes generated an increase in cash surplus in 1986/87 compared to previous year, operating losses have increased.

With the induction of A310 aircraft into the fleet in 1986/87, a three-class service was introduced for the first time on the India/Africa routes. Effective November 1986, frequencies on the India/W. Africa route were curtailed to one service per week, the frequencies on the India/E. Africa route increasing to two per week. AI has suspended operations to Lagos effective September 1987. Operations to Dar-as-Salaam/Harare have also been withdrawn effective winter 1987. Joint operations continue on the India/Mauritius and India/Zambia routes.

3.6 India/USSR Route

Cash surpluses on the India/USSR route increased considerably from Rs. 5.14 crs. in 1985/86 to Rs. 8.90 crs. in 1986/87. Operating profits also increased from Rs. 2.26 crs. to Rs. 2.89 crs. This trend has been maintained in the current year with the route registering a profit of Rs. 2.44 crs. during April/August 1987 against a profit of Rs. 1.31 crs. in the corresponding period of the previous year.

Effective winter 1987, AI has commenced thrice weekly operations on the India/USSR route with a leased IL-62 aircraft in place of twice weekly A310 operations.

4. The above contemplated refinements in AI's product as well as concerted marketing efforts, determined individually for the above mentioned routes, are directed at further improving revenues and curtailing costs of these operations in 1987/88.

5. Additionally, based on an assessment of the experienced utilisation of executive class capacity on the B747 routes, it is proposed to expand the number of seats offered, from the present 40 to 67, so that the mix of traffic carried on these routes can further improve on account of the higher content of full fare traffic.

APPENDIX IV

(Vide Para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 14th Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Air India—Working Results and Traffic Growth.

I.	Total number of recommendations	23
II.	Recommendations that have been accepted by the Government (Vide recommendations at Sl. Nos. 3-5, 7-9, 12-14, 16 and 20)	11
	Percentage to total	48%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (Vide recommendations at Sl. Nos. 2, 6, 15, 18, 19, 21 and 22)	7
	Percentage to total	30%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide recommendations at Sl. Nos. 1 and 17)	2
	Percentage to total	9%
V.	Recommendations in respect of which final replies of Government are still awaited (Vide recommendations at Sl. Nos. 10, 11 and 23)	3
	Percentage to total	13%