

COMMITTEE ON PUBLIC UNDERTAKINGS
(1978=79)

(SIXTH LOK SABHA)

FORTY-EIGHTH REPORT

ON

**International Airports Authority of India—Imbalances in the
Utilisation of Airports and in the Operations of Foreign
Airlines vis-a-vis National Carriers**

(Ministry of Tourism and Civil Aviation)

*Presented to Lok Sabha and
Laid in Rajya Sabha on 25-4-1979*



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 (1978-79) ON INTERNATIONAL AIRPORTS
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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
I. INTRODUCTORY	1
II. IMBALANCE IN THE UTILISATION OF AIRPORTS	2
A. Losses of Calcutta and Madras Airports	2
B. Traffic and flights position	2
C. Terminal facilities	4
D. Air India's concentration at Bombay	4
E. Origin and return destination of air passengers	6
F. Diversion of flights	8
G. Central Scheduling Committee and Airport Utilisation Committee	17
III. BYLATERAL AGREEMENTS AND COMMERCIAL ARRANGEMENTS	26
A. Disparity in operations	26
B. Numerical restrictions	36
C. Unilateral operations	44
D. Deviations from bilateral agreements	45
E. Countries whose requests were turned down	56
 APPENDICES	
I. Statement showing rights of foreign airlines in India <i>vis-à-vis</i> Air India/Indian Airlines, their actual operations and reasons for discontinuance and non-operation of services, etc.	64
II. Summary of conclusions/recommendations	78

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(1978-79)

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*Elected w.e.f. 26-12-1978, *vide* Shri Deorao Patil died.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report, on their behalf, present this Forty-Eighth Report on International Airports Authority of India—Imbalances in the utilisation of Airports and in the operations of Foreign Airlines *vis-a-vis* National Carriers.

This Report deals with a matter which has never before been gone into in the annals of the history of Civil Aviation in the country. There is no National Air Transport Policy as such. No traffic Survey has been conducted to assess the international traffic potential in the various regions of the country with the result there has been ill planned development of international airports. Whereas Bombay and Delhi airports are bursting at the seams with acute congestion Calcutta and Madras Airports are languishing for want of traffic incurring a loss of about a crore of rupees every year. It should be remembered that Calcutta airport has been adjudged as the best equipped and maintained. Out of a total of 119 originating/terminating flights per week, 102 are from Bombay, 12 from Delhi, 4 from Madras and 1 from Calcutta. The imbalance has been allowed to be accentuated over the years causing needless hardship to the passengers from the Eastern, North Eastern and Southern regions.

Air India's operation should be decentralised to have a fair measure of diversification of its flights in the Country. Foreign Airlines also should be likewise made to divert their flights to airports other than Bombay and Delhi to the maximum extent within a specified time.

The Inter-Governmental bilateral Air Services Agreements and the Air India's interline commercial arrangements are weighted against the national interest. The myth of reciprocity of arrangements has been exploded by the Committee. As against 217 services operated by foreign Airlines in India, our national carriers operate only 170 services in other countries and our share of passenger traffic to/from India is only 42.8 per cent. Substantial part of the reciprocal rights obtained by us remains as mere paper rights and further concessions are arbitrarily granted to the foreign airlines, a number of which as pointed out in this Report smack of malpractice. No compensation worth its name is received for serious imbalances in the operations and no positive action taken against foreign airlines violating the regulations.

An inescapable conclusion is that the whole business has been illplanned and mismanaged. Neither commercial interest of the Air India nor the interest of the IAAI nor the interest of the users has been served. There are deeper causes underlying this which have to be rooted out. A Standing High Powered Council consisting of adequate number of M.Ps and representatives of State Governments besides officials presided over by the Minister of Civil Aviation is urgently needed to oversee and monitor the functioning of the Ministry of Civil Aviation, DGCA, Air India, I.A.C. and I.A.A.I. in the larger interest of the country.

The Committee considered and adopted this Report on 24th April, 1979.

NEW DELHI;
24th April, 1979.

Vaisakha 4, 1901 (Saka)

JYOTIRMOY BOSU,
Chairman

Committee on Public Undertakings

I

INTRODUCTORY

During the course of their examination of the International Airports Authority of India (I.A.A.I.) the Committee on Public Undertakings noticed that Calcutta and Madras Airports have been showing heavy losses year after year due to low volume of international traffic. It was also brought to the notice of the Committee that people belonging to various parts of the country, especially to Eastern and Southern regions, had perforce to embark/or disembark international flights particularly west bound, at Bombay or Delhi entailing avoidable inconvenience, harassment and expense.

1.2. There has been serious imbalance in the distribution of flights among the four international airports, with the result that while Bombay and Delhi airports were terribly congested. Calcutta and Madras airports were grossly under-utilised. A detailed examination of various aspects of this problem was, therefore, undertaken by the Committee.

1.3. The Committee's examination revealed that Air India concentrates in Bombay and the lack of parity between the operations of foreign Airlines in the country and the national carriers operations abroad were the main causes of the imbalance in the utilisation of the International Airports in the country. The findings and conclusions of the Committee are set out in the succeeding chapters of this Report.

IMBALANCE IN THE UTILISATION OF AIRPORTS

A. Losses of Calcutta & Madras Airports

2.1. Calcutta and Madras airports have been incurring heavy losses year after year, as indicated below:—

(Rs. in lakhs)					
	1974-75	1975-76	1976-77	1977-78 (Prov.)	Total for four years
Calcutta . . .	73.76	40.46	67.88	27.33	209.45
Madras . . .	24.93	23.13	22.71	67.80	138.57
TOTAL . . .	98.69	63.59	90.59	95.15	348.02

These losses are exclusive of Headquarters expenses of the International Airports Authority of India, which if apportioned* would further add up to the losses.

2.2. As to the reasons for above losses, the Authority stated that these were "due to low volume of traffic, particularly international traffic. Since the required facilities have necessarily to be kept at a minimum level, the improvement in profitability will result only with increase in traffic."

B. Traffic and Flights position

2.3. Table below shows the growth of international passenger traffic and aircraft movement at the four international airports during the period from 1969-70 to 1977-78:—

	Passengers (International)			Aircraft movement.		
	(1969-70)	(1976-77)	(1977-78) (approx)	(1969-70)	(1976-77)	1977-78 (approx)
Bombay . . .	5,89,642	18,71,013	22,27,066	34,165	48,308	49,999
Calcutta . . .	2,38,634	1,68,248	2,62,141	30,897	28,389	24,685
Delhi . . .	4,22,484	10,73,980	13,59,646	25,125	29,323	30,840
Madras . . .	71,412	1,36,842	1,35,480	9,887	13,652	13,444
TOTAL . . .	13,22,172	32,50,083	38,84,333	1,00,074	1,19,472	1,18,961

2.4. It will be seen that during the last eight years while the international passenger traffic increased by 277 per cent at Bombay and 198 per cent at Delhi; at Madras the rise has been relatively small (90 per cent) upto 1976-77 but in 1977-78 the traffic had declined. In the case of Calcutta the traffic declined from 2,38,634 passengers in 1969-70 to 1,68,248 passengers in 1976-77 and has shown a marginal increase of 9 per cent in 1977-78. The aircraft move-

*During 1977-78 alone, the Hqrs. expenses of the Authority were Rs. 120.47 lakhs. The Authority has not yet started apportioning these expenses among the four airports.

ment has also consistently declined at Calcutta and at Madras in 1977-78, rather than registering any increase.

2.5. The present position of flights of foreign airlines and Air India originating, terminating and transiting per week at the four international airports is as under:—

	Originating terminating to/from		Transiting to West/East	Total No. of flights	Total landings take offs
	West	East			
<i>(a) Foreign Airlines</i>					
Bombay	49/49	..	47/47	96	286
Delhi	8/8	2/2	31/31	41	144
Calcutta		1/1	8/8	9	34
Madras		4/4	..	4	8
<i>Air India :</i>					
Bombay	43/45	10/10	2/-	57	112
Delhi	2*	..	11/20	33	64
Calcutta . . . . .		..	4/3	8	14
Madras . . . . .	..	..	3/4	7	14
	102/102	17/17	106/113	254	676

2.6. Thus out of a total of 102 flights originating to West as many as 92 operate from Bombay, 10 from Delhi and there is none from Calcutta or Madras. Similarly out of 102 flights terminating from West 94 terminate at Bombay, 8 at Delhi and none at Calcutta or Madras. Likewise, out of a total of 17 East bound originating and 17 terminating flights, 10 each are at Bombay, 2 at Delhi, 4 at Madras and 1 at Calcutta.

2.7. Regarding transiting flights the position is that out of a total of 106 flights transiting to West, 49 touch Bombay, 42 Delhi, 12 Calcutta and 3 Madras. Similarly out of a total of 113 transiting flights to East, 47 touch Bombay, 51 Delhi, 11 Calcutta and 4 Madras.

2.8. The pressure on the available resources at Bombay and Delhi airports is discernible from the fact that out of a total of 676 weekly landings and take offs, there are 398 at Bombay and 208 at Delhi whereas there are only 48 at Calcutta and 22 at Madras.

*their termination is Bombay.

C. Terminal Facilities

2.9. The international passenger and apron peak hour capacity at the four airports was as follows in 1976-77:—

	Passengers			Apron	
	Arr.	Dep.	Transit	Widebodied aircrafts	Other aircrafts
Bombay	550	550	400	7	16
Calcutta	250	250	200	4	23
Delhi	350	350	200	6	11
Madras	150	150	80	2	8

Thus while the terminal building capacity of Bombay airport was 1500 passengers per hour a total of 18,71,013 international passengers were handled there in 1976-77. As against this the terminal building capacity of Calcutta air port was 700 passengers per hour and the total international passengers handled were 1,68,248.

2.10. In this connection it is noteworthy that from the facilities point of view, the International Federation of Air Line Pilots Associations (IFALPA) has classified Calcutta airport as Orange Star Class I; Bombay Orange Star; Madras and Delhi Red Star.

D. Air India's concentration at Bombay

2.11. As indicated in para 2.5 out of a total of 55 originating and terminating flights of Air India per week, as many as 53 originate from Bombay and 2 from Delhi. The terminating point of all of them is Bombay. Even all its ten east bound flights originate and terminate at Bombay.

2.12. During evidence the Committee enquired from the then DGCA whether he ever felt that Air India was very much wanting to concentrate everything in Bombay, he said:—

“I have had a feeling that Air India with its head-office in Bombay could possibly diversify more. Because of its headquarters in Bombay, it has been concentrating a little more in Bombay than it should and perhaps they could do a little more in other regions.”

When asked whether it was a fact that certain officials of the Air India had not been in favour of making increased use of Madras & Calcutta airports, he said:—

“This is a fact that they are concentrating on Bombay.”

2.13. The main reasons given for Air India's concentration at Bombay was the existence of its engineering base there. Asked whether it was possible to spread their maintenance base to other parts, the Chairman, Air India and Indian Airlines said:—

“This can be done but at a cost of many crores of Rupees.”

He further said:—

“If an airline has to run economically, it has to have one Central overhaul base and maintenance base for one type of aircraft. In the case of Indian Airlines, there is such a dispersal. The Indian Airlines maintains Boeings at Delhi, Friendships at Calcutta, Avros at Hyderabad and the Airbuses and Caravelles at Bombay... But in the case of Air India it is more difficult because the type of operation is different. It needs one base. The aircraft have really been overtaken by technological developments in size.....”

2.14. It was also stated by Air India in a written note that “the approximate cost of creating facilities at other stations in India to operate originating and terminaing flights direct, if found economically viable, would be Rs. 11.81 crores.”

2.15 In this connection Managing Director, Air India said:—

“It is obviously for the Government to give directives to the Corporations in order to probably spread out...As far as we are concerned, we took over the concern in 1953 and it had its base there.”

Asked how could they expect foreign airlines to operate from Calcutta and Madras when they themselves were not anxious to leave Bombay, the witness said:—

“The point is that at the moment we do not have any accurate data with regard to the number of passenger that would be travelling. The first thing is to make a survey to see what is the traffic that will be available there. Even if it is a breakeven position, we can build up the potential further.”

2.16. The Ministry in a written reply stated:—

“We agree with DGCA that Air India should diversify their operations. There is no Government directive to Air India to concentrate in Bombay.”

E. Origin and return destination of Air passengers

2.17. The Committee enquired from the various authorities whether they had ever done any exercise to find out details of the origin and ultimate destination of air passengers who were embarking and disembarking international flights at Bombay and Delhi. The Chairman of the IAAI stated during evidence that they had not conducted any such survey. The DGCA, in reply, furnished the number of passengers uplifted from each of the four airports to other countries and stated that it was “difficult to collect data on the basis of the origin and true destination.” During evidence the then DGCA stated that they had not done any such survey.

2.18. The Indian Airlines stated as follows:—

“The statistics of international passengers travelling on the domestic sectors of Indian Airlines as reflected in the number of interline coupons uplifted by Indian Airlines.

During the year 1977-78, a total of 219,735 holders of interline tickets embarked on domestic flights at Bombay. Of these, 21,405 (9.7 per cent) were destined to Madras, 56,862 (25.88 per cent) to destinations on the West Coast and 31,560 (14.36 per cent) to other stations in South India. 14,151 (6.44 per cent) travelled to Calcutta.

From Delhi, of a total of 154,935 interline ticket holders, 9,213 (5.95 per cent) were destined to Madras, and 6,324 (4.08 per cent) to other South Indian stations. The number of passengers to Calcutta was 14,151 (9.13 per cent) and 2,075 (1.34 per cent) travelled to other stations in the Eastern Region.”

2.19. A representative of Tamil Nadu Government stated during evidence that:—

“Today we have found that 75 to 80 per cent of passengers going abroad go towards West from Tamil Nadu and roundabout areas; 20 per cent only go to East. Of these 80 per cent going to West, 60 per cent go *via* Bombay and 40 per cent go *via* Delhi. They take them to Bombay and then put them in the flights going from Bombay to West. . The position with regard to international arrivals is more dismal—The lack of direct international flights to Madras

also leads to complete exclusion of the South from the international tourist traffic."

2.20. Subsequently after collecting information from some of the Airline offices and Travel Agents in Madras, the Tamil Nadu Government in a written reply stated as follows:—

"In 1978 alone out of 5,699 air passengers who went abroad through Madras Airport to Western and Middle East countries, 2,259 passengers have proceeded to Bombay or Delhi and taken international flights from those places. In percentage, this works out to 40 per cent on the basis of the figures collected so far. This does not include the passengers bound for Western/Middle East countries who have gone by Indian Airlines and also by train and took the international flights at Bombay and other airports. Some of the Airline Hqrs. offices have not yet sent their replies. So when all these are taken into account for the reckoning the percentage may exceed 60 per cent."

2.21. A representative of West Bengal Government stated that in 1960s there were about 16 foreign airlines touching Calcutta but now there were only about 9. Regarding traffic originating from Eastern region to Bombay and Delhi and onward traffic therefrom to Eastern region, he said:—

"We do not have any data. But we learn that the Air India authorities started such a survey about 3 years ago.... We are not aware what happened to that survey."

2.22. In this regard Air India stated that:—

"Information on traffic from this (Eastern) Region coming to Bombay and Delhi to connect on international services is not available."

2.23. However, the following figures of growth of international mail give an indication of the international passengers from the Eastern Region:—

	Mail (International (in tonnes)	
	1969-70	1977-78 (approx.)
Bombay	2294	3400
Calcutta	133	800*
Delhi	1284	3000
Madras	194	300
TOTAL	3905	7500

*In the Annual Report of the IAAI for 1976-77 the quantity of International mail Calcutta was stated to be 2086 tonnes during 1976-77. The Committee were informed that this figure was wrong.

Thus there has been a rise in international mail from 133 tonnes in 1969-70 to 800 tonnes in 1977-78 (rise of 501 per cent) at Calcutta airport. That this was certainly an indication of the international passenger traffic from the Eastern region was vouchsafed by a number of spokesmen who appeared before the Committee, as persons going, abroad go on writing to their kith and kin, relations & friends.

2.24. Further it is noteworthy that the proportion of transit passengers during 1976-77 was 39 per cent at Bombay, 43 per cent at Delhi, 20 per cent at Madras and 9 per cent at Calcutta. This also goes to show that the traffic potential at Bombay & Delhi is not all that high.

2.25. All the witnesses who appeared before the Committee expressed that Bombay and Delhi were extremely congested and bursting with traffic. In fact this is a well known fact also. In this connection, the Chairman of Air India and IAC said:—

“There is extreme congestion in Bombay. Bombay has reached the point. Delhi is very close to the point where further growth of traffic is just not possible.”

2.26. One of the reasons for IAAI and other authorities being not able to furnish clear data about origin and ultimate destination of air passengers in India was that the present embarkation and disembarkation cards prescribed for international passengers do not provide for this information. For instance, there is no column in these cards to seek information as to the place from where a person started his journey in India and from where he took a particular flight.

F. Diversion of Flights

2.27. A statement showing the rights of foreign airlines in India vis-a-vis that of Air India/Indian Airlines, their present actual operations and reasons for discontinuance and non-operations of services etc., as furnished by DGCA, is given at Appendix I.

(i) Discontinuance of services at Calcutta

2.28. It will be seen from the above statement that since 1967, ten foreign airlines have discontinued their services to Calcutta and/or are not operating through Calcutta though they have been given

the right. The position in regard thereto is briefly summarised below:—

	Foreign Airlines		Air India	Reasons for discontinuance/non-operation of Calcutta services by foreign Airlines
	Entitlement	Actual	Entitlement/actual	
1. Air France (France)— Bombay Delhi	7	Bombay—3 Delhi—4	8/6 (Paris)	Air France discontinued operations and gave up Calcutta rights in September, 1967 as "its operations were allowed to be shifted to Bombay in place of Calcutta pursuant to bilateral discussions held in July, 1967". This was stated to have been agreed to by the Indian delegation "keeping in view Air India's requirement for additional frequency through Paris."
2. Lufthansa (West Germany) or Bombay or Delhi	} 7	Bombay—3 Delhi—5	8/6 (Frankfurt)	Lufthansa discontinued operations in April, 1971 "in order to concentrate at Bombay in addition to Delhi." This was pursuant to inter-governmental negotiations held in October, 1970 when Lufthansa was granted Bombay, in lieu of Calcutta. The negotiations were stated to have <i>inter alia</i> resulted in "approval for both Lufthansa and Air India to increase step by step their weekly frequencies between Indian and Germany and for the introduction of high capacity 747 air-craft."
3. Swissair (Switzerland) Bombay Delhi	} 7	Bombay 7	7/3 (Geneva)	Swissair discontinued operations to Calcutta in 1969 and gave up Calcutta rights in 1970 "with a view to concentrating at Bombay and Delhi". This was pursuant to inter-government discussions held in October, 1970 when Swissair "secured rights at Delhi instead of Calcutta". This was

Foreign Airlines		Air India	Reasons for discontinuance/non-operation of Calcutta services by foreign Airlines
Entitlement	Actual	Entitlement/actual	
4. Japan Airlines (Japan)	Bombay or Calcutta and Delhi } 8	Bombay 2 Delhi 2	8/7 (Tokyo 5 Osaka 2)
5. KLM (Netherlands)	Delhi or Calcutta } 2	Delhi 2	2/1 (Amsterdam). KLM discontinued Calcutta service in 1973 as it "wanted to shift this frequency to Delhi of its own accord and as additional frequency at Delhi was not available under the bilateral arrangements."
6. Cathay Pacific Airways (U.K.)	Calcutta Delhi or Bombay } ..	..	5/6 (Hongkong) Cathay Pacific suspended services to Calcutta "of its own accord" due to "shortage of equipment". Till 1976 it had rights to operate to Calcutta only. But under the Package deal reached after Indo-British Air Talks in May, 1977 it had been given rights to operate to Bombay/Delhi besides Calcutta.
7. Panam (USA)	Delhi/Calcutta Bombay } ..	No Delhi 8 Bombay 4	No restriction on frequency and capacity/7 (New York) Panam suspended operations to Calcutta in August 1971 "of its own accord for commercial reasons." It has been stated in this connection that "it is open to an airline to make a choice in this manner in the same way as Air India has chosen to operate only in New

stated to have been done to provide Air India "operations beyond Switzerland to Moscow Denmark, Norway and Sweden."

Japan Airlines discontinued Calcutta service after it "commenced services through Bombay from July 1972." This was pursuant to an agreement talks held in July, 1970 when Japan Airlines was granted "rights into Bombay in lieu of Calcutta" in exchange for "rights for Air India in Osaka w.e.f. April, 1972."

KLM discontinued Calcutta service in 1973 as it "wanted to shift this frequency to Delhi of its own accord and as additional frequency at Delhi was not available under the bilateral arrangements."

Cathay Pacific suspended services to Calcutta "of its own accord" due to "shortage of equipment". Till 1976 it had rights to operate to Calcutta only. But under the Package deal reached after Indo-British Air Talks in May, 1977 it had been given rights to operate to Bombay/Delhi besides Calcutta.

Panam suspended operations to Calcutta in August 1971 "of its own accord for commercial reasons." It has been stated in this connection that "it is open to an airline to make a choice in this manner in the same way as Air India has chosen to operate only in New

	Foreign Airlines		Air India		Reasons for discontinuance/non-operation of Calcutta services by Foreign Airlines
	Entitlement	Actual	Entitlement/Actual		
					York in USA although it has rights also at San Francisco or Los Angeles."
8. Iraqi Airways (Iraq)	Bombay/Delhi or Calcutta	2 Bombay 1 Delhi	1	2/2 (Baghdad)	During the Aeronautic authorities talks held in May, 1976 the Iraqi delegation secured rights for one flight each through Bombay and Delhi. The Indian delegation was however able to include in the route schedule that Iraqi Airways would have the "option to operate either to Delhi or Calcutta in addition to Bombay."
9. Quantas (Australia)	Bombay or Calcutta	3 Bombay	3	3/1 (Sydney)	Quantas suspended Air services to Calcutta in Sept. 1971 "of its own accord."
10. LOT Polish Airlines.	Bombay or Delhi Calcutta	2 Bombay	1	2/-	LOT Polish Airlines "yet to commence operations to Calcutta. It has been stated in this connection that "LOT has expressed no desire whatsoever or shown any interest in the matter of operating through Calcutta and the second service to/from the East is continuing to overfly India."

2.29. Thus it would appear that five airlines (Air France, Lufthansa, Swissair, Japan Airlines and KLM) have discontinued Calcutta services as they secured rights at Bombay/Delhi in lieu of Calcutta. Two airlines (Panam & Quantas) have suspended Calcutta operations of their own accord for commercial reasons. Cathay Pacific Airways has also secured rights at Bombay/Delhi which it previously had at Calcutta only. In the case of Iraqi Airways, Calcutta is kept merely as an "option". It is only in the case of LOT Polish airlines that there is a definite provision for operation at Calcutta for which they have not yet shown any interest.

2.30. Besides the above ten airlines, Alitalia (Italy) also had Calcutta rights but it did not commence its operations to Calcutta and gave up this right in 1972.

The foreign airlines presently operating at Calcutta are Aeroflot, BOAC, Bangladesh Biman, Burma Airways, RNAC (Nepal) SAS and Thai Airways and those operating at Madras are Air Ceylon, Malaysian Airlines and Singapore Airlines.

2.31. *Air France*:—Asked what was the justification for allowing Air France to shift to Bombay in place of Calcutta when the additional frequency obtained thereby was only on paper and had not been availed of by Air India, the then DGCA said:—

“France was the first country which gave us rights for operation of 747 aircraft. Air India wanted that. Thereafter France asked for these rights. At that time considering the level of frequency Air India wanted an extra frequency through Paris.”

2.32. *Lufthansa*:—Enquired whether it was wise to concede Bombay in lieu of Calcutta if they really did not want to bring about an imbalance between airports, the witness stated:—

“It was conceded having regard to the recommendation of Air India and their need for the introduction of high capacity Boeing 747 aircraft through Germany.”

On being further pointed out that Air India cannot have a final say and asked whether the DGCA advised Government not to allow this, the then Dy. DGCA replied in the negative.

2.33. *Swiss Air*:—Asked why Swiss air was operating all the flights at Bombay and why not in Delhi at all the then DGCA said:—

“Their rights are Bombay or Delhi in India. It is open to them to operate through Bombay or through Delhi.”

2.34. *KLM*:—Asked if it was wise to grant additional frequency to KLM at Delhi, the witness said:—

“They came forward to say that they would be operating the second service also *via* Delhi. We had to agree but we have put certain numerical restrictions in terms of the agreement.”

2.35. In this connection the Committee further noted that soon after having got the second frequency at Delhi, in 1973 KLM asked

for Calcutta rights also which request was turned down. Explaining this, the witness said:—

“They wanted a third frequency to Delhi. This matter has been referred to the Government and Air India and the conclusion so far has been that this request for a third frequency is not justified, but if they take away this service from Delhi to Calcutta, there would be no restrictions on their uplift and discharge.”

2.36. *Cathey Pacific Airways*:—Asked whether it was not a fact that while agreeing to Cathey Pacific Airways's Bombay/Delhi rights they were allowed to bypass Calcutta, the Managing Director, Air India said:

“That is true.”

2.37. The Committee enquired from the IAAI whether due to continuous strain on Bombay and Delhi airports they had taken any steps to divert some of the airlines to Calcutta and Madras. In reply, the Authority stated:—

“The Ministry of Tourism & Civil Aviation have in the past advised the airlines to make more use of Calcutta and Madras. The landings of aircraft in India are decided through bilateral agreements. The airlines are permitted to land in the country at one or more points depending upon reciprocal arrangements. The airline has no choice to land at a particular airport. The Airports Authority has to accept the airline to land at any of the International Airports which have been cleared by the Civil Aviation Department. No airline has so far agreed to divert flights to Calcutta/Madras due to commercial reasons.”

2.38. During evidence of representatives of DGCA, the Committee asked as to when the matter was taken up with the foreign airlines and how was it followed up after the constitution of the IAAI, the then DGCA said:—

“I personally must have taken up the matter with various airline whenever we were away either as Chairman of the Indian delegation or Member of the Indian delegation, we generally told the airlines that if you are going to operate through Calcutta, may be we shall offer you more flexible terms... But I do not think we have

formally as such, written anything to the airlines because I believe nothing can be done by formally taking up the matter."

Asked whether there was any documentary evidence to show that they had insisted on a foreign airlines to go to Madras or Calcutta, the witness said:—

"This is generally said across the negotiating table."

2.39. When pointed out it was strange that a Government Department while dealing with a foreign airline did not keep on record what transpired, he said:—

"I do not grant any facilities as such to the airlines. Facilities are granted by virtue of bilateral air service agreements which the Government of India enters into with foreign countries. These negotiations take place across the table.... The question of writing does not arise. Minutes of each discussion and final agreement are brought out in the form of a document."

2.40. In this connection the Ministry in a written note stated:—

"No specific instructions were issued to foreign airlines advising to make more use of Calcutta and Madras airports."

2.41. Asked if in case a foreign airlines wanted to land at Bombay, Government could easily say 'no' and could ask it to land at Calcutta to disperse the traffic, the then DGCA said:—

"I agree with you. There are 14 airlines which have been permitted to operate at Calcutta. But unfortunately only seven (including RNA, British Airways, SAS, Thai Airways) of them are operating.... If any airline wants to operate at Calcutta we not only permit them, but we also encourage it."

2.42. Enquired whether an airline had a choice to land at a particular airport, he said:—

"No. An airline has no choice. It depends on the rights which the Government of India gives to the Government of that country in return for the rights which the Government of India secures for its own airlines. An airlines by itself has no right to land at a particular airport. It has no choice as such."

2.43. Asked whether Government had done any exercise to find out reasons for uneven distribution of traffic among the international airports including fall of traffic at Calcutta and how foreign airlines could be encouraged to call at Calcutta and Madras the witness stated:—

“There are a number of reasons for that. It would be difficult for me to give these reasons. They (foreign airlines) have shown some disinclination because they feel that Calcutta does not offer them a commercial opportunity which other airports are offering. As to the reasons why Calcutta traffic has gone down, to the extent it has happened, one could make a detailed study and a detailed report could be made. An overall view will have to be taken about the number of hotels available, the kind of tourist publicity, the tourist appeal... That is for the Department of Tourism to do... I could work with them and carry out a detailed survey as to how to encourage foreign countries to call upon their airlines to operate in Calcutta.”

2.44. As regards incentives offered in the past he went on to say:—

“Certain incentives have been given to KLM, Iraqi Airlines, Polish Airlines and Scandinavian Airlines..... We gave them (Polish Airlines) and additional point Singapore Calcutta rights if they were to operate to Calcutta. As to the KLM they have traffic limitations here while they operate in Delhi but so far as Calcutta is concerned, there are no traffic limitations. In respect of Iraqi Airlines, they have also been told that if they want any further frequency, they will have to operate at Calcutta. As for the future incentives, it is for the Government to decide.”

2.45. In this connection the Committee noted that the Select Committee on Nationalised Industries, U.K. in their First Report (Session 1970-71) on British Airports Authority *inter-alia* recommended that:—

“In view of the expressed preference of the airlines for Heathrow and, to a lesser extent, Gatwick, as compared with any third London Airport, and of the inability of Heathrow, during the next few years, to expand its capacity sufficiently to meet growing demand your Committee recommend that the possibility of a discriminatory pricing policy should be studied afresh”.

2.46. Asked if Government had considered having discriminatory landing, parking charges etc. for various airports, a representative of DGCA stated:

"It is mainly for the IAAI to go into the matter".
The Chairman, IAAI said:

"I have raised this issue with the Ministry both verbally and in writing".

2.47. Regarding having one fare structure/or giving rebate to air passengers required to travel to Bombay/Delhi to catch international flights, the Managing Director, Air India deposed:

"We tried to work out a formula. Indian Airlines is not willing".

2.48. In this connection the Committee also took evidence of representatives of a number of foreign airlines (Alitalia Lufthansa, Panam, LOT Polish Airlines, Kuwait Airways) and Chairman of the Board of Airlines representatives in India and sought their reaction to the liberalisation of landing charges, etc. and the possibility of having one fare structure from all the four international airports. They were all generally agreed that it was a "good idea" to liberalise landing charges etc. and that it would be an "inducement" for diverting their operations to Calcutta and Madras. Regarding equi-
lisation of fare, it was stated that it would be "a reasonable approach".

2.49. Asked whether Government had considered the advisability of having discriminatory landing charges and other incentives to induce foreign airlines to divert their flights to under-utilised airport, the Ministry in a written reply stated:

"Government is considering the question of levying a surcharge on night landings at Bombay and Delhi. The IAAI is also examining the feasibility of concessional landing charges at Calcutta and Madras. In addition, it has been decided that as far as possible, no additional rights should be granted to any foreign airlines at Bombay".

(ii) Gulf Countries Traffic

2.50. It was stated in the Annual Report of the IAAI for 1976-77 that "The pressure on the existing passenger handling areas at Bombay airport increase during the year 1976-77 with the sudden spurt in Gulf countries traffic". In this connection it was also reported

in the press that considering the origin and return destination of bulk of the Gulf passengers of Indian origin, many short haul operators would be willing to go to airports like Madras, Bangalore, Trivandrum and Goa.

2.51. During evidence, the Chairman of the IAAI stated that they brought the spurt in Gulf traffic to the notice of Government in 1978 in writing. The DGCA stated that this question has not been examined by them. The Commercial Director, Air India stated that Air India studied this problem and found that:

“major concentration would be to Trivandrum and as a start, we opened services to Trivandrum”. As regards Goa, he said “the airport does not have the facilities to have an international flight”.

2.52. In this connection a Committee set up by Government to study the question of congestion in the international wings of Bombay and Delhi airports (P. C. Lal Committee) had in its report (December 1978) suggested:

“modifications of the heavy cargo shed in the new cargo complex at Bombay for use as a temporary Gulf passenger terminal.”

and this was expected to be ready by the first quarter of 1980. The Committee also observed that:

“more airports should be raised to international standards in order to handle the traffic emanating from areas around them, as in the case of Trivandrum. Among the airports mentioned for such development were Amritsar, Goa, Ahmedabad and Bangalore. Before drawing up specific plans for this purpose, however, it was necessary to study the flow of traffic, by origin and destination, in order to determine the priorities for such development. These studies should be undertaken by the national carriers at the major airports, in consultation with the IAAI and the DGCA.”

G. Central Scheduling Committee and Airport Utilisation Committees

2.53. In March, 1976 Government set up a Standing Central Scheduling Committee consisting of Director General, Civil Aviation as Chairman and three other members*, charged with the following functions:—

“(i) to examine the draft schedules of all airlines operating scheduled international air services at Bombay and Delhi

*Chief of Operations, IAAI, New Delhi; Schedules Coordinator, Air India and Dy. Director, Information and Regulations Civil Aviation Department.

with a view to see whether the proposed timings are within the capacity limits of the airports;

- (ii) to advise the representative of Air India on this Committee to persuade and or make airlines (at the IATA scheduling Committee meetings) to make appropriate changes in their schedules as may be found essential to avoid bunching of flights consequent to a finding that during any particular period the number of aircraft on the ground area would be such as to exceed the capacity limits of the concerned airport;
- (iii) to review the action taken on the recommendations submitted by the Airport Utilisation Committees at Bombay and Delhi as may be found necessary."

The Committee was required to submit reports twice a year to Government.

2.54. At the same time i.e. in March, 1976, two Airport Utilisation Committees—one at Delhi and the other at Bombay—were set up comprising the respective Airport Director as Chairman and three other members* with the following terms of reference:—

- “(i) to ensure optimum utilisation of available parking bays;
- (ii) to examine the adequacy of customs, immigration, health and plant quarantine, counters and to persuade local authorities to man those countries particularly during peak traffic periods for speedy clearance of passengers and baggage;
- (iii) to examine and eliminate delay on the part of airlines in delivering incoming baggage of passengers for customs inspection;
- (iv) to submit recommendations to the Chairman of the Standing Central Scheduling Committee set up at DGCA Head Quarters in regard to points requiring action at the national level.”

2.55. Although the setting up of a similar Utilisation Committee at Madras had been decided at the meeting of the Central Scheduling

*Respective Controller of Aerodrome; Airport Manager, Air India and Airport Manager, Indian Airlines.

Committee held in April, 1976, such Committees at Madras as well as at Calcutta were set up by Government in December, 1977.

All these Airport Utilisations Committees were required to meet twice a year and submit their reports to the Central Scheduling Committee.

2.56. Table below shows the dates when each of these Committees had met since their setting up:—

Committees	Date of setting up	Date of meetings
I Central Scheduling Committee	March, 1976	30-4-76 22-5-76 24-2-77 26-10-77 5-6-78
II Airport Utilisation Committees :		
(1) Bombay	March, 1976	28-4-76 8-7-76 19-11-76 18-10-78
(2) Delhi	Do.	29-4-76 20-12-76 29-4-77 21-11-77 5-4-78 12-10-78
(3) Calcutta	December 4, 1977	25-4-78 20-10-78
(4) Madras	Do.	10-4-78 23-2-79

Thus it would appear that apart from delay in the setting up of Utilisation Committees at Madras and Calcutta, these Committees have not been meeting regularly.

2.57. Enquired about reasons for Airport Utilisation Committees not meeting regularly, action taken by the Central Scheduling Committee thereon and achievements of these Committees, the DGCA in a written note *inter-alia* stated:—

“There are serious inherent limitations on the work of the Central Scheduling Committee. These inherent limitations and constraints are such that neither the Committee nor the airlines (national or foreign) have any significant control re-scheduling as a means of eliminating congestion is not something capable of achievement by any individual country.... The efforts of this Committee should not be expected to produce anything more than marginal effects..

Though it was repeatedly impressed upon the Chairman, Airport Utilisation Committees, we in DGCA have not received regularly the minutes of these meetings chaired by the Airport Directors of IAAI. This fact is known to the representative of IAAI. On the Central Scheduling Committee, however, even in the absence of specific reports from the Airport Utilisation Committees, the problems at the airport are made available to the Central Scheduling Committee through the representative (of IAAI) on this Committee."

2.58. In regard to the working of the Central Scheduling Committee, the Committee set up by Government to study the question of congestion at Bombay and Delhi Airports (PC. Lal Committee) in their Report (December, 1978) *inter alia* observed as follows:—

"The Committee was informed that even though airlines schedules were discussed by a Central Scheduling Committee (CSC) presided over by a DGCA's representative, where timings were agreed so as to ensure a reasonable spread of flights over the 24 hours. When filing their actual flight schedules, many airlines disregarded the CSC's decisions and brought in their flights within a limited period of time. . . . Chairman IAAI stated that though IAAI was a member of the CSC, it had no say in the final scheduling of flights. . . ."

2.59. Asked what was the use of carrying on the farce of exercise in the Central Scheduling Committee when the real problem was the imbalance created by the unimaginative bilateral agreements and commercial arrangements, a representative of DGCA said:—

"The Scheduling Committee has to function perforce within certain constraints and limitations which are entirely beyond its control. . . . The Scheduling Committee cannot be expected to bring about an even separation of flights."

The former DGCA said:—

"I will be frank that the Central Scheduling Committee is irrelevant."

2.60. The Chairman, IAAI, when asked why Airports Utilisation Committees did not go into the question of diversion of flights to Calcutta and Madras to ensure optimum utilisation of capacities there, stated that it was not in the terms of reference of these Committees. When enquired whether they took up the matter with Government to change the terms of reference, he said:—

"It is a question of bilateral agreement."

2.61. Asked whether the Central Scheduling Committee was doing any useful work, he said:—

“My personal view is, no.”

The Ministry in a written reply stated that:—

“The Central Scheduling Committee has not been successful in removing the peak hour congestion. In this connection it may be mentioned that what was considered as peak hour traffic at some of the major international airports in the world 7 years ago has now become an average traffic and new peaks have arisen. What is really called for is management of peaks by resorting to appropriate change/simplification of frontier crossing formalities and provision of adequate staff/space to meet peak hour demands.”

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

2.63. During the last eight years, while at Bombay the international passenger traffic consistently increased from 5,89,642 passengers in 1969-70 to 22,27,066 in 1977-78 (rise of 277 per cent) and at Delhi from 4,22,484 to 12,59,646 (rise of 198 per cent;); at Madras the rise has been relatively small from 71,412 passengers in 1969-70 to 1,36,842 in 1976-77 (rise of 90 per cent) but in 1977-78 the traffic has shown a declining trend. In the case of Calcutta, rather than registering any increase, the traffic declined from 2,38,634 passengers in 1969-70 to 1,68,248 in 1976-77 and has shown a marginal increase of 9 per cent in 1977-78. Similarly, the aircraft movement has substantially declined at Calcutta over this period.

2.64. The imbalance is more pronounced when viewed from the angle of landings/take off of aircrafts. Out of a total of 102 West bound flights of foreign airlines and Air India per week, as many as 92 originate from Bombay, 10 from Delhi and none from Calcutta or Madras. Like-wise out of a total of 17 East bound flights, 10 originate from Bombay, 2 from Delhi, 4 from Madras and 1 from Calcutta. The position of terminating flights is more or less similar. Out of a total of 106 transiting flights to West, 49 touch Bombay,

42 Delhi, 12 Calcutta and 3 Madras and out of 113 transiting flights to East, 47 touch Bombay, 51 Delhi, 11 Calcutta and 4 Madras.

2.65. The disparity is even more glaring in respect of the operations of Air India our great national carrier. Out of its 45 weekly flights to West, 43 operate from Bombay and 2 from Delhi. Its 10 East bound flights operate only from Bombay. Only a few of its transiting flights touch Calcutta and Madras.

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

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

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

2.69. It is common knowledge that most of the Gulf passengers are from the South but due to inadequacy of flight at nearby air-

ports they are made to block to Bombay which is one of most expensive cities within the country. Thus bulk of the international passengers fall a prey to exploitation and enormous hardships not to speak of needless transshipment of cargo and the attendant problems. Even this sudden spurt in Gulf traffic in recent years did not open the eyes of the authorities to the realities of the situation and to quickly remedy it.

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

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

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

no specific instructions were issued to foreign airlines to make more use of Calcutta and Madras airports. In the case of Calcutta the least that was needed was to restore the earlier level of operations.

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

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

- (a) Air India's operations should be decentralized so as to have a fair measure of diversification of its both East and West bound flights.
- (b) Instructions should immediately be issued at the highest level for the diversion of flights of foreign airlines to airports other than Bombay and Delhi to the maximum extent within a specified time so as not only to relieve terrific congestion at these airports but also to alleviate the needless distress caused to the international passengers of the Eastern, N.E. and Southern regions, not to speak of genuine encouragement to tourist traffic to these regions, which will go to augment foreign exchange earnings for the country. This would also ensure proper utilization of other Air Ports and reduce unnecessary travel within the country.

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

2.76. Government have been carrying on the farce of managing congestion in Airports by means of a Standing Central Scheduling Committee at DGCA's Headquarters and four Utilisation Committees each at Bombay, Calcutta, Delhi and Madras. The Utilisation Committees at Calcutta and Madras, which was misnomer for these were not concerned with improving utilisation, were set up much later

than those at Bombay and Delhi. It was admitted by the representatives of DGCA and IAAI that the Central Scheduling Committee as well as the Utilisation Committees have not been useful even in removing peak hour congestion as the real problem was the imbalance created by the ill planned, bilateral agreements and commercial arrangements which the Committee have dealt with elsewhere in this Report. The Committee feel that there is no point in continuing these Committees.

III

BILATERAL AGREEMENT AND COMMERCIAL ARRANGEMENTS

A. Disparity in operations

3.1. It will be seen from statement at Appendix I that as against 217 services actually operated by foreign airlines in India, the Air India/Indian Airlines are operating 170 flights in other countries. In a number of cases, although Air India has equal rights both in regard to the number of frequencies and the number of landing points, it had not availed itself of all the rights, as per illustrations below:—

Foreign Airlines actual weekly frequencies in India		Air India actual weekly frequencies in those countries
Swiss Air (Switzerland)	7	3
Qantas (Australia)	3	1
Panam (USA)	12	7
BOAC (U. K.)	18	16
Aeroflot (USSR)	5	2
Air France (France)	7	6
Alitalia (Italy)	7	6
K. L. M. (Netherland)	2	1
Lufthansa (West Germany)	8	6

(This does not include unilateral operations of foreign airlines which is dealt with elsewhere in this Report)

3.2. In this connection it is also noteworthy that of the total international passengers carried from/to India in 1977, the percentage market share of national carriers was only 42.8 per cent (Air India 34 per cent and Indian Airlines 8.8 per cent) and the remaining 57.2 per cent of traffic was carried by foreign airlines.

3.3. As far back as May, 1973, the former Dy. DGCA (Late Shri Sarkar) in his comments to the Ministry on the inter-line agreement reached by Air India with Qantas in April, 1973 (*vide* letter 22-5-73) *inter-alia* observed as follows:—

"From April, 1974 Air India is entitled for twice weekly services in accordance with the route schedule and additionally via perth. Also, Air India can introduce Boeing 747 aircraft from April, 1974. Thus, the continuance of Air India rights at Perth is a satisfactory outcome of the inter-line arrangements. On the other land, the continuance of two services via Australia points and the rights to introduce Boeing 747 on Air India services from April, 1974, may perhaps remain a "paper right" unless Air India have definite plans to utilise these rights."

The position remains the same even today and Air India continues to operate only one service to Australia.

3.4. During evidence of officials of DGCA, the Committee pointed out that there was persistent under-utilisation of Air India's rights and these appeared to be only paper rights. the then DGCA said—

"You are right when you say that there is persistent under-utilisation of certain rights. But in respect of these rights often Air India enters into commercial arrangements with the airlines and if you look at the whole problem in its totality, the revenue earned by Air India, what are the commercial arrangements and the traffic uplifted by Air India, it does not matter so much as to how many services we are operating, how many they are operating. Under each count, there may not be full reciprocity but we have to take the total effect into consideration."

On being asked to tell cases where Air India had more landings and others less in India, he said:—

"There are three cases Ghana, Seychelles and Nigeria. We have one service per week to each of these countries."

3.5. When asked to name any advanced country, he said:—

"Take for instance Aeroflot (USSR). They are operating more services than we are, as part of a commercial arrangement they pay Air India equal revenue amount. They may operate 5 and we may operate two. Take again the British Airways with whom the Air India have a pooling arrangements. Under this arrangement, irrespective of the traffic that each airlines carries, there is a sharing formula of revenues. It does not matter who operates less or more."

3.6. Asked what did he mean by reciprocity which should in fact be an exchange in equal proportion, the witness said:—

“Reciprocal arrangements have been entered into whereby they (foreign airlines) have the same right and we have the same right. In certain cases they are able to operate more

Continuing he said : “We exchange rights on the basis not of actual operation of frequencies but on the actual rights for operation taking into account revenue and traffic rights.”

When pressed further he said:—

“On the basis of commercial and other advantages which Air India feels it receives from a particular airlines, Government establishes certain principles. Government comes to the conclusion that it is all right, agree to 5 services for them, and 5 services for us and where Air India recommends that they have been getting so much traffic and so much commercial advantage.”

3.7. Asked whether the DGCA had ever pointed out to Government to review the position in view of persistent under-utilisation of our rights, he said:

“I might have to the best of my recollection” He clarified: “I do not remember to have written to the Government formally”, and added “it is basically a matter for the Government.”

3.8. In this connection the Ministry in a written reply stated:

“An overall review of bilateral agreements (about 42 in number) is not undertaken. A review is normally made under the bilateral agreement as and when either party desires to secure additional rights from the other.”

Asked what were their plans to fill up the large gap and reach the stage of reciprocity, the witness said:—

“It is matter for Air India.....Air India feels that reciprocity is not merely to be equated with frequencies. They take a total view of the advantages perhaps.”

3.9. In this connection the then DGCA also stated in a written note that:

“It is correct that Air India has not been in a position to utilise its entitlement of frequencies fully due to certain

reasons. On the other hand it would be seen from statement that despite the imbalance in favour of foreign airlines in the matter of frequency of services actually operated by these airlines the number of passengers which these airlines have been able to embark|disembark in India has been much less generally as compared to the number of passenger which Air India has been able to embark|disembark at the foreign points. For instance, Air India carried 38, 504 passengers in 1977 to/from Australia on 2 services per week against the carriage of 25,071 passengers by Quantas on 3 services per week through India. Another example is that Air India was able to carry a total number of 86,076 passengers on 14 services per week to|from United Kingdom as against the carriage of 1,17,808 passengers by British Airways on 17 services per week to/from India. Similarly Alitalia operated 6 services per week to|through India in 1977 and carried 38,555 passengers, Air India was able to carry 48,381 passengers to/from Italy on 4 services per week . In the case of USA, while Pan American Airways carried 86,514 to/from India, on 5 services per week, Air India carried 1,51,799 passengers to|from USA on 7 services per week. It will thus be seen from the above instances that the imbalance in the frequency of services actually operated by Air India is only one of the elements in the overall concept of reciprocity and that the matter has to be viewed in its totality having regard to traffic and revenue benefits. It would also be seen that in case of USSR, Aeroflot carried 32,170 passengers to|from India while Air India carried only 7,166 passengers in 1977. Here again it must be clarified that commercial arrangements exist between Air India and Aeroflot for a revenue sharing formula in respect of their operations. Thus in addition to the traffic and revenue benefits, the consideration of commercial arrangements is also necessary in considering the totality of reciprocity”.

3.10. Air India|Indian Airlines were stated by DGCA to have commercial arrangements with the following foreign airlines:—

Air India with:

1. Aeroflot (USSR)
2. Czechoslovak Airlines (Czechoslovakia)

3. LOT Polish Airlines (Poland)
4. British Airways
5. Cathay Pacific Airways (UK)
6. Sabena (Belgium)
7. KLM (Netherlands)
8. Japan Airlines (Japan)
9. Malaysian Airlines System (Malaysia)
10. Singapore Airlines (Singapore)
11. Qantas (Australia)
12. Ethiopian Airlines (Ethiopia)
13. Kenya Airways (Kenya)
14. Kuwait Airways (Kuwait)
15. Swiss Air (Switzerland)
16. Gulf Air
17. Saudi Arabian Airlines (Saudi Arabia)
18. Syrian Arab Airlines (Syria)
19. Iran Air (Iran)

Indian Airlines with:

20. Air Ceylon (Sri Lanka)
21. Royal Nepal Airlines Corpn. (Nepal)
22. Pakistan International Airways (Pakistan)
23. Ariana Afghan Airlines (Afghanistan)

3.11. In this connection Air India in a written note stated that: Commercial agreements are concluded, not only to rationalise the deployment of capacity between the parties inter-se, but also to compensate the partner temporarily unable to provide capacity upto the agreed ceiling. Such is the case in the air services agreements concluded by India with the undermentioned countries. The payment received by Air India in each case are shown in respect of the year 1977-78 as also the estimates for the year 1978-79:

	Payment received— Rs. lakhs	
	1977/78	1978-79 (Est.)
1. Belgium	39.77	31.00
2. Czechoslovakia	17.23	16.00
3. Ethiopia	1.04	1.00
4. Gulf States	11.06	60.00
5. Kuwait	Nil	37.50
6. Malaysia	1.05	3.00
7. Poland	Nil	21.00
8. Saudi Arabia	29.00	33.00
9. Switzerland	111.18	105.00
10. USSR	235.66	280.00
11. Indonesia	63.2	3.00

3.12. The Committee enquired whether the above commercial arrangements were covered by bilateral agreements, the representatives of DGCA stated that:

"All the bilateral agreements do not require the airlines designated to enter into pooling arrangements. It is only in regard to USSR, Czechoslovakia and Poland that there is provision in the agreement proper that the airlines operate only under commercial arrangements. In regard to Sabena, there is no such provision in the agreement proper. The same thing is with Netherlands (KLM). The same thing applies to so many other countries too but it is incidental to their operations..... KLM is operating two services to India and is conceded upto 13000 passengers, they pay nothing to Air India. If they carry beyond that number, they pay a certain percentage. The same thing applies to Sabena".

He also stated that there was no commercial pooling arrangement with certain airlines like Air France, Alitalia, Lufthansa etc.

3.13. Asked about reasons for discrimination between socialist countries and non-socialist countries in regard to making specific provision for pooling arrangement in the bilaterals, the Commercial Director of Air India said:

"I cannot explain the reasons for difference between the two".

3.14. The Commercial Manager, International Relations said:

"This is because in the East-European countries, as a rule, one is not allowed free business facilities. In the USSR, you are not allowed to sell your own tickets. In Poland, there is a surcharge levied in 1973 for every travel ticket".

When pointed out that levying a surcharge did not mean that they were imposing a restriction, he said:

"I am sorry, if that is the impression. It applies to everybody".

3.15. In 1977 Air France carried 57,964 passengers as against 34,076 by Air India. Similarly Lufthansa carried 49,956 passengers as against 45,238 by Air India. Asked why in these cases which were similar to Aerflot, they were not getting payment from these airlines, the witness stated that:

"Air France does not pay because the agreement was concluded on the basis of reciprocity of frequency. When the

agreement with Polish was concluded, we were convinced that operation into Warsaw would not be paying”.

3.16. Regarding Lufthansa, the Managing Director of Air India stated:

“We have made some commercial proposals to Lufthansa and we are awaiting their reply. Sometimes, when a bilateral agreement is there, our position is weak in regard to commercial arrangement and we find it very difficult to force them to enter into a commercial arrangement. Either we should operate the same number of services as they operate or ask the Government to cut their services”.

Asked why they had not looked after commercial interests, he said:

“I was trying to say that it is our objective to see that we achieve parity conditions. Where there is disparity existing, we have taken action to see that we reach parity conditions. We will either buy more equipment or if this is not possible due to constraints of finance, we will have to address the Government that we want to restrict others from coming into the same extent as we do. It is for the Government to take a decisions”.

3.17. When pointed out that they were liberal in paying to BOAC but were not getting their entitled compensation from Lufthansa, Alitalia and other airlines of western countries, the witness said:

“It is not with the British Airways alone that we have a commercial agreement. There are 19 agreements with various Airlines. Our aim is to get on to such areas where there is imbalance and, of course, we try to get something out of it”.

3.18. The former DGCA when asked whether it should not be proper to have pooling arrangements rather than have equal paper rights stated:

“Yes, Sir, I agree that Air India should attempt pooling arrangements”.

3.19. The Ministry in a written reply also stated that “Air India’s statement regarding Air France not paying because of reciprocity of frequency is not correct. The agreement with France was concluded on the basis of reciprocity in opportunities and not on the basis of actual operations”.

Package deal with U.K.

3.20. In regard to arrangement with BOAC the Committee were informed by DGCA that "with Air India's decision to purchase Boeing 747 aircraft, certain objections were raised by the Government of United Kingdom to Air India changing over from Boeing 707 to Boeing 747 on the London-New York sector. Inter-governmental consultations were held in 1971 to discuss Air India's operations across the North Atlantic with Boeing 747 aircraft. Air India and BOAC (now British Airways) entered into a commercial arrangements (for a daily service with B.747 aircraft) by which the British Airways would be compensated for passengers carried by Air-India in excess of certain pre-determined ceilings on the sector London-New York-London. This arrangement was valid upto 31-3-78. Notwithstanding this, the U.K. authorities, in 1976, demanded a cut back on Air-India capacity on the sector London-New York-London. A series of talks were again held in 1976 and a package deal was concluded in 1977 (by the then Secretary of the Ministry, Shri Naik), whereby the UK authorities withdrew their objections to Air India picking up/discharging traffic on the sector London-New York-London. We made a one time payment of £ 6.25 lakhs (about Rs. 1 crore). We secured rights from them to operate Boeing 747 aircraft to Hong Kong and in return conceded rights for Cathey Pacific Airways to operate to Calcutta or Delhi in addition to Bombay and beyond to Behrain. The British authorities were also granted rights to operate through Bombay to Australia *via* South East Asia with Boeing 747 aircraft".

The total payment made by Air India in 1977-78 under the deal were stated to be Rs. 1.7 crores.

3.21. Asked to explain the justification for concession granted to Cathey Pacific, the Managing Director of Air India said:

"This is something, I must frankly say, which was not to the liking of Air India, This is again another case where, I must point out. It was done because the Government of India did the negotiations with the British Government".

3.22. When the above was put across to DGCA officials, a representative said:

"I have nothing to support that contention at all".

3.23. In this connection Air India in a written reply stated that their intention was:

"to indicate that the Indian team had to pay a 'high' price to obtain its desired objective—the right for Air India to route 747 *via* Hong Kong of the India Japan route...".

3.24. In this regard the Ministry in a written reply stated:

"Bilateral agreement are concluded inter-governmentally and there is nothing unusual in the Government of India having negotiated with the UK authorities.

There is also nothing on record to show that Air India had not liked the traffic rights being conceded to Cathay Pacific Airways at Bombay and Delhi. On the other hand, during the briefing session held in the Ministry on 16th November, 1976 on the subject, a specific question was posed to Managing Director, Air India whether they were prepared to give Cathay Pacific Airways 3 services beyond India in return for B. 747 rights of Air India's 3 services via Hong Kong to Tokyo to which the then Managing Director (Shri K. K. Unni) stated that the commercial advance to Air India by operating 3B.747 services via Hong Kong to Tokyo was definitely much more than benefits that would accrue to Cathay Pacific Airways consequent on their 3 services via India to Gulf".

3.25. The Committee found that in the Annual Report of the Ministry for 1977-78 the name of BOAC was missing among the airlines with which Air India had commercial/pooling arrangements. Explaining this, the Ministry stated:

"This is an omission by Air India. The names of airlines with which Air India have commercial pooling arrangements were given by Air India. The reasons for this omission are being called for".

3.26. In regard to traffic and revenue benefits the Committee noted that though Air India carried more passengers to Australia, Japan and Italy in 1977, it has been incurring heavy losses on those routes as indicated below:—

(Losses in Rs. Crores)

Routes	1975-76	1976-77	1977-78
India-Australia	0.56	2.53	2.50
India-Japan	3.05	1.85	1.07
India Continent . . . . .	..	..	00.3

3.27. Asked why they were losing on India-Japan route, the Managing Director, Air India said:

'The loss is due to the yield being very low on the sector'.

3.28. Asked how much were Japan Airlines losing on India-Japan route, a Dy. Managing Director of Air India said:

"I have the Air India figures. The traffic which the Japan Airlines carry from Japan to the European points will not be in the pool. We have only pooled the traffic between India and Japan. There, we outcarry them".

3.29. Asked if they had any vigilance all to have a watch over operations of the foreign airlines, the Managing Director said:

"No Sir, except whatever intelligence we get from our own commercial people in the field".

3.30. The former DGCA, when asked how did he explain Air India losses on India-Australia route stated:

"I asked them (Air India) you are carrying more, but you are losing more. It did not make really any sense. The fact is that Air India really lost. But judging a sector by itself on the basis of this kind of losing or non-losing is very difficult".

3.31. Enquired whether they were not deliberately sabotaging the whole business by permitting the foreign airlines to operate more services than what the national carriers were able to operate in their countries, the Commercial Director of Air India said: "that is ture."

3.32. The Managing Director said:—

"As far as bilateral agreements with foreign countries are concerned, it is entirely the prerogative of the Civil Aviation Ministry and the DGCA. We come in an advisory capacity."

When pointed out that if appeared that Air India had a large say not merely in an advisory capacity, the witness said:—

"Certain tasks have to be performed at our level."

3.33. Asked when bilateral agreement between Governments were entered into, did they point out clearly as to what the foreign airlines were rightfully entitled to, he said:

"We do. When we are not in a position to operate to that country, we know we are going to lose traffic from India

not only to that country but to third countries also. Invariably we advise the Government what should be commercial agreement."

Asked why, was it that Alitalia operated 7 flights and Air India 6 the witness said:—

"We do not have the capacity to operate. We have a limited number of aircrafts—As we expand, we will probably utilise the rights."

3.34. When asked whether this was the reason why they were not utilising the facility available in case of Germany, Switzerland, France etc., he said:—

"Some of these bilaterals were entered into when we were operating Boeing 707. When Boeing 747 was introduced, we had to withdraw some operations from Europe, because with such huge aircrafts we could not make too many steps—But some of these bilateral agreements have historic background."

Continuing he said:—

"As far as, Switzerland is concerned, it is entirely out of our control. A number of services were being protected by the Government for Swissair."

3.35. Subsequently it was also stated in a written note that:—

"Air India was permitted to operate seven B-747 services through Switzerland, despite its protest that it could not hope to achieve this frequency. In 1977, Air India carried a total of 11,021 passengers to and from Switzerland. On the other hand Swissair carried 53,103 passengers to| from Bombay in that year.

3.36. Asked if the actual frequency operations of foreign airlines were brought down to their level what passenger traffic would accrue to Air India, the witness said:—

"I think normally we should go about 50 per cent. against 34 per cent. at present".

B. Numerical Restrictions

3.37. Another plea put forward by the then DGCA in support of reciprocity of arrangements was that the operations of Air India and foreign airlines should be viewed in the light of other factors

such as traffic restrictions imposed on foreign airlines in Delhi and Bombay airports. The traffic restrictions were brought into suggest that these were meant to persuade the foreign airlines to operate to Madras and Calcutta. In this connection he stated that:

"In so far as inducements offered to foreign airlines to operate from Calcutta and Madras and future plans to narrow down the imbalance between the four international airports are concerned, I wish to point out that SAS has been permitted to operate through Delhi a once weekly service subject to the condition that they shall continue to operate another once weekly service to Calcutta. Additionally SAS is subjected to severe traffic restrictions at Delhi whereas there is no such restriction on SAS while operating through Calcutta. As regards the future plans we do not propose to impose at Calcutta the kind of numerical restrictions that are placed on certain airlines at Delhi and Bombay. . . . The right of the Scandinavian airlines to operate second frequency through India with severe traffic restrictions at Delhi was made conditional upon the airline continuing to operate its service through Calcutta where no traffic restrictions have been imposed on the airline. KLM was offered the authorisation for operating two services per week through Delhi with B-747 aircraft with certain numerical restrictions. It is, however, open to KLM to operate through Calcutta without any restrictions".

3.38. The position of numerical restrictions imposed on foreign airlines at Delhi and Bombay, excess traffic carried and action taken thereon as stated by the Directorate General of Civil Aviation is briefly indicated below:

Foreign Airline	Position of numerical restrictions
1. SAS (Scandinavian)	SAS was entitled to carry 1200 passengers to and from Delhi in a year during 1976. As against this, they carried 1418 passengers in 1976 and 1731 passengers in 1977. During inter governmental talks held in October, 1977 the quota limitation of SAS was raised from 1200 to 1500 and no action was taken for the excess carriage in the years 1976 and 1977. During 1978, SAS carried 2355 passengers against the entitlement of 1500 passengers. There was excess carriage of cargo also. In this connection it was stated that "DGCA is asking for an explanation from SAS as to why they have exceeded their quota limitation for the year 1978".

Foreign Airline

Position of numerical restrictions.

2. Sabena (Belgium) Sabena was subjected to a numerical restriction of 6750 passengers at Bombay in 1976 but under the commercial arrangement between Air India and Sabena this limit could be exceeded upto 9000 passengers beyond which compensation was required to be paid. Sabena actually carried 7398 passengers in 1976 and 11269 passengers in 1977. During inter-governmental talks held in March, 1978 Sabena's free quota was raised to 8000 passengers and it was expected to pay Air India for carriage in excess of his limit. Sabena's actual carriage in 1978 was 10930 passengers.

3. KLM (Netherlands) KLM was subjected to a numerical restriction of 13,000 passengers at Delhi and any carriage in excess of that was governed by interline commercial arrangement. The maximum was laid down as 16,000 passengers. KLM actually carried 15814 passengers in 1976-77 and 1428 in 1977-78.

4. Gulf Air Gulf Air was operating 17 services terminating a Bombay "solely under arrangements reached between Air India and Gulfair...the provision restricting Gulfair's carriage to 3200 seats per week is a difficult if not impossible condition which DGCA can supervise".

5. Iraqi Airways Iraqi Airways was subjected to a numerical restriction of 170 passengers per week between Baghdad and India but there was no restriction on their carriage between India and intermediate points such as Dubai. They had exceeded their carriage of traffic between Baghdad and India. However, "having regard to the fact that there is no restriction on Iraqi Airways in the carriage of traffic between India and Dubai which is 5th freedom traffic for Iraqi airways, no action has been taken against the airline for carriage of 3rd and 4th freedom traffic in excess of the prescribed quota."

It was stated that the action stipulated under the Iraq-India bilateral agreement for failure on the part of an airline to fulfil the conditions was "revocation of the operating permission" which was "a very extreme stop" and that the remedy would appear to be "to enter into consultations in order to revise the existing arrangements".

3.39. Air India in a written note stated the position of compensation received for excess carriage of traffic by foreign airlines as follows:—

		(Rs. in lakhs)		
		1977-78	1978-79 (Est)	Remarks
1.	KLM	23.14	5.00	
2.	SAS	Nil	Nil	
3.	Iraqi Airways	Nil	Nil	
4.	Syrian Arab airlines	Nil	25.75	
5.	Sabena	39.77	31.00	In 1976-77 Sabena paid Rs. 15 lakhs.

3.40. It would appear that there has been excess carriage of traffic over and above the entitled free quota by SAS, Sabena, KLM and Iraqi Airways and compensation on that account has, been received from KLM and Sabena only. In the case of Gulfair the numerical restriction was stated to be difficult of supervision.

3.41. During evidence of officials of DGCA, the Committee asked what were the existing arrangements to check whether the numerical restrictions were adhered to by the foreign airlines, a representation of the DGCA stated:

“The airlines are expected to furnish statistics to the DGCA indicating the number of passengers carried by them from time to time. In regard to the numerical restrictions, they apply to revenue traffic only and they do not apply to non-revenue traffic. Therefore there has been the problem and we continue to face the problem. When you get the figures locally you do not really get the correct figures sometime”.

When pointed out that it was just not possible to get the correct figures, he said:

“we have difficulties, I do concede”

3.42. Asked what enforcement machinery was there to see that the restrictions were imposed physically and whether on any occasion they sent any person to the aircraft to verify the figures supplied by an airline, the witness said:

“That kind of vigilance we do not have...we have to do a bit of reliance on Air India”. He admitted that “it is necessary for us to have a proper enforcement machinery”.

3.43. Asked whether the restrictions and any effect on the diversification of flights or removing congestion in Bombay and Delhi, the witness said:

“Our expectations were that the airlines would come forward saying that they would like to move away from Delhi or from Bombay to Calcutta if they were given a more liberal treatment there, but such a situation has not materialised”.

3.44. When the above points were put across to the former DGCA he said:

“whatever inducement we have given, the fact remains that Calcutta has not yet been served by foreign airlines or even by Air India. Therefore, one could argue that Government should do much more to see that Calcutta comes on their map.....possibly the incentives that we have given and the traffic restrictions that we have imposed have not resulted in their operating in Calcutta more and more”.

Regarding enforcement machinery, he said:

“we are very weak in that area.....It is possible for them (foreign airlines) to produce bogus figures.....it has open to Air India to find out and to report but personally I feel that the DGCA should have its own machinery”.

3.45. In this context Air India in a written reply stated:

“Air India has not been made aware of the arrangements that exist in the Ministry or in the office of the DGCA to check enforcement of restrictions”.

The Ministry in a written reply admitted that:

“There is no adequate infra-structure to monitor effectively the numerical restrictions”.

3.46. Discussions on specific Airlines revealed the position as follows:—

SAS:—Asked why no compensation was received from SAS for excess carriage in 1976 and 1977; whether increase of their quota from 1200 to 1500 passengers in 1977 was made retrospectively and what additional rights were obtained for Air India while granting this 25 per cent increase, a representative of DGCA said:

“There is no provision for compensation....there is no arrangement by which retrospective effect could be given”.

Regarding additional rights obtained for Air India, he said:

“The additional rights came to us as entitlement and that the rights already available to Air India are not being utilised”.

Another representation of the DGCA, who was a member of the Indian delegation for talks with Scandinavians held in October, 1977, admitted “we did not get anything” When asked whether there was any country where Air India stood on same footing, the witness replied in the negative.

The former DGCA who had headed the above Indian delegation stated:

“there was provision in the agreement for compensation for excess carriage. It provided that SAS and Air India should meet to evolve arrangements for the carriage of additional traffic i.e. over and above 1500”.

Asked why Air India had not negotiated it so far, he said:

“They had not yet done, they had made a mistake”.

When enquired whether DGCA took any steps in the matter, he replied in the negative and stated that Air India’s representative was present during 1977 negotiations.

To this Air India in a written reply stated as follows:—

“Air India proposed to SAS that traffic in excess of the stipulated limits could be carried provided these passengers constituted GIT (Group Inclusive Tours) groups promoted jointly by Air India and SAS, and the profit shared between the two carriers equally after apportioning costs, SAS rejected this proposal..... In these circumstances, the D.G.C.A. should have refused clearance to SAS’s flights once the limit was reached.....”

Sahena: Asked what additional rights were obtained while granting increase in their free quota from 6750 to 8000 passengers in 1978, a representative of DGCA said:

“I cannot recollect anything in particular”

KLM: The Committee pointed out that the minimum and maximum (i.e. 13,000 and 16,000 passengers respectively) of the so called restrictions were such that KLM did not seem to be under any obligation to move out of Delhi, and enquired what was the meaning of such a restriction, the witness said:—

“unless KLM decides to move on its own to Calcutta, there is very little we can do about it.”

The former DGCA also admitted that the "restriction on KLM has not encouraged or persuaded them to operate from Calcutta" and that "some kind of strict formula will have to be worked out if KLM come forward for an addition frequency from Calcutta".

Gul Air: In reard to Gulf Air, DGCA's representative admitted that while imposing traffic restriction of 3200 seats per week, they should have ensured that they were able to implement it. He also stated that the restriction was for "seats provided".

In this context Air India in a written reply stated:—

"Since the limit has been fixed in terms of the number of seats to be provided it is perfectly possible and feasible to check whether the Gulf Air operations are in fact conforming to the agreement or not....."It is indeed surprising that the DGCA should find such a simple formula difficult to implement."

Iraqi Airways:

Asked why a peculiar sort of numerical restriction had been imposed in the case of Iraqi airways; why there was no provision for compensation and what had been the excess carriage by them, a representative of DGCA stated:—

"The traffic restriction between India and Baghdad enabling the Iraqi Airways to carry unlimited traffic between India and intermediate points is a situation which is unique. We did not have that type of agreement with any other airline...the only answer was to ask the Iraqi airways to cut back its traffic between India and Baghdad. But we did not want a situation like that to develop. Keeping this aspect in view, we had asked Air India whether they would like to have a fresh look at the arrangement between India and Iraq. We have not had the benefit of their reply so far. This numerical restriction was imposed about 2 years ago."

3.47. In this connection the former DGCA said:—

"I think violation has taken place. DGCA should take action. . . . To my mind there is scope for changing the agreement to restrict fifth freedom rather than third and fourth."

3.48. Air India in a written reply stated:—

“the permission accorded to Iraqi airways to carry intermediate 5th freedom traffic without any restriction needs to be reviewed. This will be done as soon as the D.G.C.A. is in a position to provide Air India with authentic figures of the traffic carried by Iraqi airways which the latter has declined to furnish despite a specific provision in the bilateral agreement which require regular submission of statistics by Iraqi Airways to D.G.C.A.”

3.49. A representative of D.G.C.A. expressed “a bit of surprise” when he was told about compensation received by Air India from KLM and other airlines and stated that they were not kept informed by Air India. When enquired what were the coordination arrangements in this behalf, he said:—

“there is free limit provided by Government in regard to the numerical restriction. . . . Over and above those numerical restriction, Air India concludes an agreement with the foreign airlines concerned which will permit the foreign airlines to carry traffic in excess of the free quota what is permitted. Sometimes it is spelt out in exchange, of letters or in other case it is by way of pooling arrangements. . . . How the settlement takes place in the pool, we are not posted with the relevant information unless Air India experiences some difficulty.”

3.50. The former D.G.C.A. when asked whether it was correct for Air India to permit foreign airlines to carry traffic in excess of the free quota fixed by Government, stated that:—

“They should never permit any quota over and above what the Government may have agreed. . . . If a certain quota has been fixed by Government, it cannot be opened to Air India to raise that quota. They can only recommend to Government to raise their quota. But on their own they have no right to do so and if they do it, it is a wrong thing.” He also stated that the authority to impose traffic restrictions lay with the Government of India or D.G.C.A.

3.51. In this connection Air India in a written reply stated:—

“pooling/commercial arrangements that have been concluded by Air India which permit foreign airlines to carry traffic in excess of Government specified quota have been concluded at either the express direction of or in full knowledge of the Government authorities and have normally flown out of the provisions of the inter-governmental agreements themselves.”

C. Unilateral Operations

3.52. As indicated in statement at Appendix I...as many as eight foreign airlines are unilaterally operating in India. Air India/Indian Airlines have either discontinued their services to those countries or have not commenced operations. The position as indicated by DGCA is briefly as follows:—

	Foreign Airlines		Air India	
		Entitlement/Actual	Entitlement/Actual	Reasons for discontinuance/non-operation by national airline
(1) Czechoslovak	2/2 (Bombay)	2/-	Air India discontinued services to Prague in July, 1971 as being "economically not viable."	
(2) Garuda Indonesian Airways.	2/2 (Bombay)	2/-	Discontinued as weekly service to Jakarta in April, 1976 due to "operational reasons, particularly fleet limitations."	
(3) LOT Polish Airlines	2/1 (Bombay)	2/-	Not started operations as being "economically not viable."	
(4) Sabena	2/2 (Bombay)	2/-	Discontinued a weekly service to Brussels in March, 1971 because of "commercial considerations."	
(5) Syrian Arab Airlines	2/2 (Bombay and Delhi)	2/-	No plans to operate.	
(6) SAS (Scandinavian)	2/2 (Delhi and Calcutta).	2/-	Not started operating because of "commercial considerations and economic viability of such operations."	
(7) Burma Airways	4/3 (Calcutta)	2/-	No operations by Indian Airlines.	
(8) Trans Mediterranean Airways (Lebanon).	6/4 (Bombay)	5/-	Air India discontinued services to Lebanon when disturbances broke there in 1976.	

3.53. It was stated that Air India has commercial arrangements with Czechoslovak Airlines, Garuda Indonesian Airlines, LOT Polish Airlines and Sabena. As stated in para 3.11 compensation has been or is expected to be received by Air India from these airlines as also

from SAS and Syrian Arab Airlines. No compensation seems to have been received from Burma Airways and Trans-Mediterranean Airways for their unilateral operations.

3.54. In regard to Syria and Burma it was also stated that they were not parties to the International Air Services Transit Agreement (IATA) and therefore Air India did not have the automatic right to overfly these countries. The airlines had therefore to be given rights in India in return for rights for Air India to overfly these countries, in addition to commercial rights to operate in these countries which were not being utilised by national airlines.

3.55. Asked why Air India was not operating to Syria, the Managing Director of Air India stated that they conducted a survey and found that it was not economical to operate even one service against their rights of two services. He added that Government had agreed to the arrangements for reasons other than commercial.

D. Deviations from Bilateral agreements

3.56. The Committee were informed by Directorate General of Civil Aviation that Air India in its interline and commercial arrangements with foreign airlines has deviated from bilateral agreements in a number of cases involving substantial modifications of the bilaterals. Further certain airlines were operating under ad hoc interline arrangements without proper bilateral arrangements. Details of such cases during the last 3 years as given by DGCA are briefly given below:—

Foreign Airlines	Details of deviations and/or operations without bilaterals
<i>(a) Cases of Deviations :</i>	
1. Singapore Airlines (Singapore)	Air India and Singapore Airlines entered into an agreement in May, 1977 in accordance with the provisions in the Memorandum of understanding dated 23-1-1977 signed by the Government of Singapore. This agreement between Air India and Singapore airlines envisaged revision of the numerical restrictions on the fifth freedom carriage of the two airlines to/from each other's territory. Additionally the operation of Singapore Airlines to from fifth freedom points not covered by the existing inter-governmental agreement was also agreed at the airline level. Since the interline arrangements went beyond the scope of the India/Singapore Air Services agreement, it was considered necessary to review the bilateral agree-

Foreign Airlines

Details of deviations and/or
operations without bilaterals.

- ment. However, on repeated requests by Air India approval to the inter line arrangements has been accorded on a provisional basis upto 31-3-79. The arrangements were inter-governmentally reviewed in April, 1979 and revised arrangements reached for the period 1-4-79 to 31-3-80.
2. Alitalia (Italy) The agreed Minutes signed pursuant to the discussions held between Air India and Alitalia in January, 1977, envisaged enhancement of frequency entitlement of a total of seven services per week for each airline w.e.f. 1-4-1977 in addition to operation with 747 type of aircraft by Alitalia on its services. This involved a modification of the inter-governmental agreement and inter-line understanding was formalised by the aeronautical authorities by correspondence.
 3. Lufthansa (West Germany) Air India and Lufthansa entered into an agreement in 1977 with a view to permit operation of one, additional services by each airline over and above the frequency entitlement of seven services per week specified in the India-West Germany Air Services agreement. This agreement has been submitted to Government for approval. Since the interline arrangement was a deviation from the bilateral agreement, this required finalisation at governmental level.
 4. Sabena (Belgium) Air India and Sabena held discussions in May, 1976 and agreed on a carriage of traffic to/from Bombay by Sabena in excess of the numerical restrictions specified in the inter-governmental agreement of December, 1974, subject to a commercial agreement between the two airlines. Since these airline arrangements were reported as beneficial to Air India from the commercial point of view, these were approved.
 5. K. I. M. (Netherlands) Air India and KLM entered into a commercial agreement in November, 1975 to provide for the uplift/discharge of passenger traffic at Delhi by KLM in excess of the numerical limits agreed to inter-governmentally. The agreement permitted KLM to carry traffic in excess of 'free' quota of 13,000 passengers per annum upto a maximum of 16,000 passengers, subject to a commercial arrangement by which Air India was expected to received substantial payments from KLM on account of the excess carriage. These arrangements are approved by the Government of India on a yearly basis.

Foreign Airlines	Details of deviations and/ or operations without bilaterals.
6. BOAC (U. K.)	Operations of air services terminating at Delhi. Also operation by British Airways <i>via</i> Kuwait, Dubai, Jaddah, Doha, Bahrain and Muscat on the U.K. airlines route.
7. Saudia (Saudi Arabia)	Operation of Tristar aircraft without capacity restriction on the recommendation of Air India. The bilateral arrangements permit the operation of aircraft including Tristar subject to the condition that capacity offered to be restricted to that of B-707.
8. Kuwait Airways (Kuwait)	At the inter-line discussions held in June, 1978 both Air India and Kuwait Airways agreed for a frequency of seven services per week for each airlines, to be operated with B-747 aircraft without any restriction on the carriage of 3rd, 4th and 5th freedom traffic. These arrangements involved additionally other substantial amendments to the existing inter-governmental agreements. The inter-line arrangements were accorded approval on a provisional basis upto 31st January, 1979 pending formalisation at Governmental level. Talks were held at the level of aeronautical authorities (with a proper brief) in November, 1978 and bilateral arrangements revised. But on scrutiny of arrangements at DGCA's office it was found that there were inadequacies in the matter of reciprocity of opportunities. Pending further action in the matter Kuwait Airways has been provisionally permitted further to operate air services upto 30th June, 1979.
9. Gulf Air	The delegation of the Government of India and the delegations representing the Governments of the States of Bahrain, Qatar, Sultanate of Oman and the United Arab Emirates had discussion in Bahrain in February, 1973 but could not agree on all aspects of an air services agreement between India and the Gulf States. Air India and the Gulf Air reached an understanding. The present operations are governed by inter-line arrangement reached in April, 1977.
10. Iran Air (Iran)	An air services agreement between India and Iran was in vogue from 1960 and under Article 12 of that agreement the Government of Iran served a notice for termination of the agreement and accordingly the agreement stands terminated from 15-2-71. After the agreement was terminated air services between

(a) Cases of Deviations

(c) Cases of Deviations :

India and Iran are being regulated by interline agreement between Air India and Iran Air from time to time and subsequently approved by the respective Governments.

In an attempt to re-negotiate a new Air Services agreement, discussions were held in December, 1972, but the two delegations could not then agree on the route schedules or frequency of services and therefore it was agreed that the route schedule to be annexed and associate documentations will be drawn up at another meeting which might be held in Iran before March, 1973, but the talks at the inter governmental level has not resumed. Under the circumstances Iran Air's operation to India and of Air India to Iran has been without formal inter-governmental Air services agreement.

3.57. Thus it would appear that during the last 3 years Air India in its interline agreements had flouted provisions of the bilateral agreements in 8 cases (i.e. Singapore Airlines, Alitalia, Lufthansa, Sabena, KLM, BOAC, Saudia & Kuwait Airways). Two Airways i.e. Gulf Air, and Iran Air are operating without any bilateral agreements.

3.58. The frequencies increased in the cases of Kuwait Airways and Lufthansa and fifth freedom traffic carriage by Singapore Airlines have not yet been finally approved by Government.

(1) Singapore Airlines

3.59. In regard to Singapore Airlines a representative of DGCA stated that:—

“They (Air India) have in their commercial agreement exceeded the provisions of the bilateral agreement.”

He also stated that they had not yet approved it fully and had written to the Ministry that it should not be agreed to.

3.60. In this connection the Committee also noted that the DGCA office were disinclined to accord approval to these arrangements as among other things, they were against the financial interests of Air

India, as would be apparent from the following extracts from note dated 27-7-1977 recorded in the file:

"SIA earnings from beyond 5th freedom carriage is already greater than the earnings of AI from similar beyond 5th freedom carriage ex-Singapore although in terms of number of Pax Air India carried more ex-Singapore than SIA ex-Bombay.

The imbalance in earnings in favour of SIA despite the lesser number of Pax carried by SIA due to the relatively longer 5th freedom segments available to SIA ex-Bombay as compared to the 5th freedom segments to AI ex-Singapore. Liberalising the 5th freedom opportunities of SIA at Bombay will only add to this imbalance in earnings in favour of SIA. Air India earned Rs. 191 lakhs from carrying 6227 Pax & SIA Rs. 239 lakhs by carrying 4861 Pax. This is to say that 6228 Pax of Air India is equal to 3900 Pax carried by SIA, in terms of revenues beyond 5th freedom traffic.

3.61. But on receipt of letter dated 7-4-1978 from Commercial Director, Air India (Shri I.D. Sethi) addressed to the then DGCA (Shri B. S. Gidwani) the provisional approval of DGCA to the arrangements was accorded on 10-4-1978 (8th and 9th April, 1978) being closed holidays. Further this approval was accorded while approving Singapore Airlines summer schedule and without any noting on the file.

3.62. When pointed out that they gave provisional approval under pressure from Air India, a representative of the DGCA stated:—

"I have frankly admitted that they have exceeded the authority given under the bilateral agreement. They have done so perhaps in anticipation of the approval of DGCA. DGCA has not given the final okay to it."

3.63. Asked whether they left it to commercial judgment of Air India the witness said:—

"We have nothing except their commercial judgment to go by. Three years later we may have the data to arrive at our own conclusions."

3.64. The Commercial Director, Air India (Shri Sethi) admitted that he telephoned Shri Gidwani in this regard and pressed him for giving their approval.

When asked what was the consideration behind it, he said:—

“There was no consideration.”

Asked whether it was not to the detriment of Air India's interests, the witness gave no reply.

3.65. The former DGCA (Shri Gidwani) when asked as to what were the circumstances in which Commercial Director, Air India (Shri Sethi) telephoned him and why was undue haste shown in giving DGCA's approval, stated:—

“He (Shri Sethi) told me to expedite clearance and I said he may drop me a line. He sent letter by special messenger.”

Asked what did Shri Sethi tell him on the telephone the witness said:—

“To the best of my recollection he said that it is very urgent that we authorise Singapore are pressing them. Their pool will be in jeopardy.”

When enquired why there was no noting on the file in this regard, he said:—

“There would be quite a number of letters written to me and I would reply to them without noting on the file.”

(ii) *Alitalia*:

3.66. Asked about justification for enhancing the frequency through interline agreement in 1977 when they were not utilising fully the earlier entitled frequencies, the Commercial Manager, International Relations Air India stated:—

“It is a question of planning.”

The Managing Director said:—

“We do not have the capacity to operate. We have a limited number of aircrafts....As we expand we will probably utilise the service.”

Enquired whether it was a fact that all their aircrafts going to London or Paris became practically empty after reaching Rome, the witness said:—

“There is a sizeable traffic to Rome.”

The Commercial Manager also stated:—

“There are two ways in which the frequencies could be changed—one is by interline agreement and the second is by inter-governmental agreement. The interline agreement is submitted to the Government for approval; they either

approve or disapprove it. But if the governmental agreement determines the frequency entitlement, there is no question of approval or disapproval."

(iii) *Lufthansa*:

3.67. Asked why Government had not yet approved the increased frequency of Lufthansa, the Commercial Manager stated that:—

"Formal approval in writing is yet to be conveyed by Government to Lufthansa though Government had approved the increased frequency in actual operation."

(iv) *Kuwait Airways*:—

3.68. A representative of DGCA stated that prior to the interline discussions held in June, 1978, the Kuwait Airways were wanting some extra rights, i.e., to operate 747 aircraft without any restriction. When Air India first put forward the proposal (*vide* Shri I. D. Sethi's letter dated 18-5-1978) their comments were that they were totally opposed to it and that the Government of India should not encourage them. A month later, another letter came from the same official (Shri Sethi's letter dated 26-6-1978) saying that it might be granted. He added that "when Air India says that they are not in favour of one thing and a few months or days later says, 'yes' it sometimes baffled me."

3.69. In this connection the Committee also noted that Shri K. K. Menon, Regional Director, Air India (Middle East) joined Kuwait Airways as Customs Service Manager after retirement in February, 1978. Asked what role did Shri K. K. Menon play in the negotiations with Kuwait Airways, the Commercial Director, Air India (Shri I. D. Sethi) stated "None, Sir". Enquired when did Shri Menon meet him prior to writing his letter of 22-6-78, the witness said:—

"I don't recall the date."

3.70. Asked why the operations of Gulf Air had been allowed to be continued through interline arrangements for so long and why could a proper bilateral agreement not be reached, a representative of DGCA stated:—

"I adm't it is a gap which we intend to fill very soon. . . . We tried to negotiate with them but we could not have proper agreement. It will be our endeavour to have proper bilateral agreement."

3.71. In this connection the Commercial Manager, Air India stated that the question whether Gulf Air is the national carrier of Dubai or Abu Dhabi or Federal Govt. of UAE had not yet been resolved. Until it was resolved, the Government says that they do not want to rock the boat.

3.72. The Committee also noted that there was a possibility of merger of Kuwait Airways with Gulf Air, revealed by Air India (*vide* their aforesaid letter of 22-6-78) as follows:—

“Discussions with Kuwait Airways revealed that the Kuwait Government has taken a policy decision not to grant 5th freedom rights to any carriers between points in the Gulf and Kuwait and that the Kuwait Government is withdrawing such rights from carriers who have hitherto been enjoying the same. This is particularly on account of the efforts that are presently being made to investigate the feasibility of a merger and/or closer cooperation between Kuwait Airways and Gulf Air. It also appears that Kuwait Airways are planning to extend some of their India terminating services to Far East w.e.f. April, 1979—initially to Bangkok and subsequently by end 1979 or early 1980 to Manila and Tokyo. The commercial arrangements that have been concluded will cover such transit operations of Kuwait Airways. It is understood that the extension of the operations to the Far East in 1979-80 is likely to be undertaken in association with Gulf Air.”

3.73. Asked about latest position in this regard, Air India in a written reply stated:—

“We are not aware of any further developments in this regard and/or of the results of any discussions that may have been held by the two airlines.....”.

3.74. The Committee found that Shri R. Venketaraman, Planning Officer of Air India, who headed the Air India team for inter-lines discussions with Gulf Air in April, 1977, has joined Gulf as Planning Manager after retirement in July, 1977.

(v) *Iran Air:*

3.75. Asked if they had been able to receive a proper factual note on situation in Iran before having further negotiations, a representative of DGCA stated:—

“The Iranian have approached us for an extra frequency. We told them the bilateral agreement has to be negotiated by

the Government of Iran. That is why they have not responded to it."

3.76. In this connection the Committee noticed that there had been difficulties in the past when Air India wanted to avail of the reciprocal rights in terms of the bilateral agreement, as per extracts below from the Dy. DGCA's note to the Ministry dated 5-1-1978:—

"Iran air has been operating for nearly 2 decades to India when Air India desired to avail of reciprocal rights in Iran in 1967 but we found the Iranian response disappointing. Having planned to operate the air services under the then existing rights in terms of a bilateral air services agreement, it was extremely difficult to give up plans for Air India's operation to Tehran. After protracted negotiations temporary arrangements were finally agreed upon at the last minute with severe traffic restrictions on Air India for a limited period....."

Other cases where similar difficulties arose were stated to be those of U. K., Thailand, Iraq and Kenya.

3.77. In regard to increase of frequencies and capacities through interline agreements, Air India in a written note stated:—

"When signing a bilateral agreement with a foreign country the Government of India settles with the Government concerned, the initial number of frequencies that may be operated by each carrier. The bilateral agreement then goes on to direct that all further increases in capacity and/or frequency shall be discussed in the first instance by the airlines with a view to reaching agreement thereon and any agreement so reached shall be subject to the approval of the aeronautical authorities. This requirement is explicit in the agreements signed by India with.... Australia, Belgium, Czechoslovakia....The agreement reached between the airlines is either approved by the DGCA in writing or, by inference through his approval being granted to the revised schedules filed with his office based on the new airlines agreement reached.... the only cases in which frequencies and capacities have been discussed without Government's approval are Italy (Alitalia) and Kuwait."

3.78. Asked in how many cases written approval to the increased frequency as such had not been taken, a representative of DGCA stated:—

"I would differ from that...we did say 'no' to Lufthansa for having the 8th frequency and we did say 'no' to the proposal of Air France to operate terminating services here. We have said 'no' or given provisional approval to Singapore Airlines for a limited period. We have said 'no' to Kuwait airlines for additional frequency."

3.79. Asked if he could say that when they approved the air schedules, they subjected them to the kind of scrutiny that they applied when an inter-line agreement was formally considered, the witness said:—

"No. The normal practice of the airline is to submit to the DGCA for their approval the air schedule, time tables for winter season and summer season...When these schedules are filed with the DGCA, they are checked with the arrangements in force with those countries and if the schedules comply with the provisions of the agreements, the schedules are approved."

3.80. Asked whether it would be correct on the part of Air India to enter into further negotiations when the relevant bilateral agreements did not specifically provide for it, the witness said:—

"No, it would not be correct."

3.81. In this regard, Air India in a written reply stated:—

"If schedules are approved by the DGCA only if they comply with existing provisions, then how is it that Lufthansa is operating services in excess of their entitlements?"

3.82. The Ministry in a written reply stated that DGCA has approved operation of 8th frequency by Lufthansa pending formulation of arrangements.

(vii) Permission for Charter Flights in an objectionable manner

3.83. The Committee noted that in June, 1975 permission was granted by the Dy. DGCA (Shri G. R. Kathpalia) to Gulf Mills Co. Dubai to operate 20 Charter flights from Delhi/Bombay to Dubai for carriage of perishable food items, in an objectionable manner in that his brother Shri G. C. Kathpalia was involved in the case and was

representing Gulf Mills Co. in India. This case was enquired into by the Joint Secretary (Shri A. S. Bhatnagar) in the Ministry of Tourism & Civil Aviation and the following extracts from his findings (dated 16-8-1975 recorded in the Ministry's file) are noteworthy:—

"An application dated 16-6-1975 was received by the DGCA from Pelican Airways, 13/15 Asaf Ali Road, New Delhi requesting for permission to operate five flights from Delhi to Dubai to fulfil contracts entered into by Gulf Mills Co. for air freight of perishable food stuffs.....on 23-6-75 a letter was received from Gulf Mills Co. Dubai informing the DGCA that Captain Jagdish Chandra of Sarin International Private Ltd. and Pelican Airways would act as their local representative and Liaison Officer for all aviation matters. Soon after receipt of this letter the file started moving at a faster pace in the DGCA's office and on 25-6-1975 the Gulf Mills Co. were granted permission..Shri Pereria (Dy. Director, Air Transport) also stated that he did not know that Shri Kathpalia's brother was representing Gulf Mills Co. under the signature of "G. C. Kathpalia". Earlier he was signing as "Capt. Jagdish Chandra". I do not think that the action of Shri G. R. Kathpalia in this case are above board. Knowing fully well that his brother was involved in this case, he should have as a responsible and senior officer of Government, brought the facts to the notice of his superior officer viz., DGCA and sought the approval before hustling this case through....."

The action of Shri G. R. Kathpalia in handling the case relating to the Gulf Mills Co. was indiscreet and objectionable and I feel that the work relating to Air Transport should be taken away from him with immediate effect. A watch should also be kept on his activities in the other divisions which he would handle in future, by the DGCA himself... I have taken a lenient view in this matter and have not suggested a more severe action against Shri Kathpalia in view of the fact that he has been promoted recently and was not familiar with this work in the past."

3.84. During evidence the Committee enquired from Dy. DGCA (Shri Kathpalia) whether he brought to the notice of DGCA or the Ministry that his brother was connected with Gulf Mills Co., he said:—

"This very fact was not brought to their notice."

When asked how his brother was signing, he said:—

“At times, he signs as Captain J. C. Kathpalia and at times as Jagdish Chandra.”

Asked whether he know that the Ministry was unhappy over the matter, he said:—

“I do not know.”

E. Countries whose Requests were turned down

3.85. The Committee were informed that requests for bilateral air services agreements were turned down in the case of the following countries:—

1. Bulgaria
2. Korea
3. Rumania
4. Yugoslavia
5. German Democratic Republic
6. Jordan
7. Spain

3.86. Asked about reasons for this, a representative of Director General Civil Aviation stated that this was done on the recommendations of Air India. He said that:—

“They (Air India) conduct the market survey and make recommendations. We have no means of disputing their figures of assessment.”

3.87. When asked how did they make sure that Air India did not cook up the figures, he stated that though they were mainly guided by the figures given by Airlines, in some cases they took decision of their own. In this connection he added that in the case of Mauritius DGCA forced Air India to operate and they agreed provided losses were made good. Ultimately that service started yielding profits and Air India wanted to increase the frequency. The DGCA said:—

“There is no machinery which with some authority can question their (Air India) assessment. . . . the necessity will have to be recognised and something will have to be done.”

3.88. The Commercial Director, Air India stated that in respect of Korea, the operations through Calcutta were offered but it was declined by them. In respect of other countries “we have regretted that we would not like them to operate.”

3.89. Asked in which countries Air India conducted traffic surveys, the Managing Director stated "In Yugoslavia in 1969 and 1976, in GDR in April, 1973, Hungary in 1969." The requests were stated to have been turned down due to "inadequate traffic" potential.

3.90. When asked whether they meant that all airlines including Air India, were carrying adequate traffic and what was the inducement in running India-Australia service where Air India was losing, Commercial Manager stated:—

"That is why back in 1956 when the World Olympic Games were started. . . . This is not a sector where we are dependent for carrying traffic into our country. Here predominantly it is a link from Europe and UK to Australia in which we are participating."

3.91. In this connection the Committee noticed from the files of Air India that in certain cases (like Bulgaria, Jordan, North Korea etc.) no market surveys seem to have been carried out by Air India. The requests appear to have been turned down for reasons other than commercial.

3.92. The Committee pointed out that there seems to be no clear-cut policy of Government and detailed guidelines to govern inter-governmental bilateral and inter-line commercial/pooling arrangements. Whatever imbalance was there seems to have been accentuated further. Neither the commercial interest of Air India nor the interest of IAAI or the interest of users has been served well. There is no coordinated examination and periodic review of arrangements. No competent machinery was there to catch the actual operations with reference to the restrictions imposed on foreign airlines. All this was very unsatisfactory. Asked what had they to say about this, the former DGCA said:—

"You are right to a considerable extent."

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

3.94. The former Director General Civil Aviation at first made an effort in vain to suggest that the flights of foreign airlines in India

were strictly governed by "reciprocity" of arrangements under Bilateral Air Services Agreements entered into with other countries. In actual practice, the position is that as against 217 services operated by foreign airlines in India, Air India and Indian Airlines are operating only 170 services in other countries. Whereas foreign airlines have made almost full use of their rights in India, there is persistent under-utilisation of Air India's rights in other countries and the so called reciprocal rights remain only as "paper rights" at a considerable cost to the country. For instance, Swissair operates 7 flights in India as against 3 flights by Air India in Switzerland, though it has equal rights. Similar is the case in regard to several other airlines (Qantas, Alitalia, KLM, Lufthansa etc). The result has been that of the total international passengers carried from/to India, the share of the national carriers is only 42.8 per cent and the remaining 57.2 per cent is carried by foreign airlines. It was admitted by the Managing Director, Air India that they should either operate the same number of services as the foreign airlines do or "ask the Government to out their services". He also admitted that if the frequency operations of foreign airlines were brought down to their level, their traffic share would go up to 50 per cent. The Committee feel that if this cannot be ensured the foreign airlines should be made to pay for whatever imbalance is there in the light of this Report. It should be borne in mind that these airlines have already derived substantial advantage at our cost.

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

3.96. It is only in the case of USSR, Czechoslovakia and Poland that the bilateral agreements provide for commercial/pooling arrangements by Airlines. In certain other cases also Air India has concluded commercial arrangements as "incidental to operations". Curiously enough in a number of cases there are no such arrangements at all—e.g., Air France, Alitalia, Lufthansa etc. Thus whilst for excess carriage, Air India is paying huge amounts to British Airways and to a number of other airlines, it has not been receiving its due compensation under similar circumstances of excess carriage by Air France, Lufthansa etc. Even from the traffic uplift point of view, it is noted that though Air India has been carrying more passengers to Australia, Japan and Italy than their airlines it has been losing

heavily on India—Australia, India—Japan and India—Continent routes, which in 1977-78 alone amounted to Rs. 360 lakhs.

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

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

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

3.100. It was admitted by the spokesman of the Directorate General Civil Aviation as well as by the former DGCA that they

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

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

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

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

3.104. In this connection the Committee note that requests for bilateral air services arrangements from seven countries (viz. Bulgaria, Korea, Rumania, Yugoslavia, GDR, Jordan and Spain) have been turned down time and again because of Air India's recommendations that there was "inadequate traffic potential" and the DGCA has no means of disputing their figures. The Committee found that in many cases no traffic surveys have been conducted by Air India recently. In other cases these were either conducted long time back or conducted perfunctorily. Furthermore, when Air India

did not maintain figures even for internal traffic, they cannot be relied upon for external statistic. There is need for DGCA strengthening its machinery in this behalf. A uniform policy must be followed in the matter of unilateral operation of foreign airlines rather than leaving it to the discretion of Air India.

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

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

- (a) In the case of Singapore Airlines, Dir. General of Civil Aviation was not agreeing to accord approval as it was Cial Director of Air India (Shri I. D. Sethi) was putting pressure on DGCA in this regard. As admitted during evidence, he telephoned the former DGCA (Shri Gidwani), followed by a letter dated 7-4-1978 through special messenger and got provisional approval of DGCA on 10-4-78 (8th & 9th being closed holidays). The DGCA also followed an unusual course, and gave approval to the arrangements while approving the summer time schedule of Singapore Airlines. without any noting on the file. All this shows undue haste and is open to serious suspicion.
- (b) In regard to giving extra rights to Kuwait Airways, Air India first wrote to DGCA on 18-5-1978 that they were

totally opposed to granting any extra rights. But soon after they recommended on 22-6-78 that the same should be granted. In this context a suspicion is lurking in the mind of the Committee, that Shri K. K. Menon, Regional Director Air India (Middle East) who had joined Kuwait Airways after retirement in February, 1978, had perhaps been operating behind the scene.

- (c) Gulf Air has been allowed to operate for last two years under interline agreement of April, 1977 and without a proper bilateral authority. In this context the Committee noticed that Shri R. Venkataraman, Planning Officer of Air India who headed the Air India team for interlining agreement of April, 1977 has joined Gulf Air after retirement in July, 1977. The role played by him during negotiations with Gulf Air is too obvious to warrant any further comment by the Committee.
- (d) As admitted during evidence the Ministry and the DGCA are at present solely guided by the Commercial judgement of Air India and have "nothing" of their own "to go by". In a number of cases (Singapore Airlines, Lufthansa etc.) they accorded provisional approval to interline arrangements while approving the time schedules of foreign airlines rather than after subjecting the arrangements to proper scrutiny.

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

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

- (a) The procedures and practices adopted by the Ministry of Civil Aviation and Tourism and the DGCA should be thoroughly overhauled to ensure that there are inbuilt

checks against any kind of negligence or malpractice either in their organisation or in Air India as is evident from the maladies pointed out by the Committee. An efficient system of monitoring and review of the foreign airlines operation in our country vis-a-vis of national carriers operators abroad to apply timely correctives in national interest is also necessary.

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

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

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

NEW DELHI;
24 April, 1979

Vaisakha 4, 1901 (S).

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide para 3.1 of Report)

STATEMENT SHOWING RIGHTS OF FOREIGN AIRLINES IN INDIA VIS-A-VIS AIR INDIA/INDIAN AIRLINES, THEIR ACTUAL OPERATIONS AND REASONS FOR DISCONTINUANCE AND NON-OPERATION OF SERVICES ETC.

S. No.	Foreign Airlines	Air India/Indian Airlines	Reasons for discontinuance and non-operation of services/remarks			
Name of Airlines (country) date of Agreement	Rights in India	Current operation	Entitlement	Actual operation	of services/Remarks	
1	2	3	4	5	6	7
1	Aeroflot (U.S.S.R.) 2-6-58.	Delhi } Calcutta }	Delhi } Calcutta }	4 } 1	Moscow } 5	Moscow } 2
2	"Air Ceylon (Sri Lanka) 21-12-48.	Bombay } Delhi } Madras } Trichy } Trivandrum }	Bombay } Madras } Trichy } 14 }	2 } 3 } 7 }	Colombo } 14 } Jaffna }	10—Operations by Indian Airlines.
3	Air France (France) 16-7-47	Bombay } Delhi }	Bombay } Delhi }	3 } 4 }	Paris } 8 }	6 Air France continued to operate through Calcutta until September 1967. However, Air France's operation were allowed to be shifted to Bombay in place of Calcutta pursuant to the bilateral discussions held in July 1967 between the delegations of the Government of India and the Government of the French Republic when the French delegation opted to concentrate Air France's services at Bombay in addition to Delhi and gave up Calcutta rights.

4	Alitalia (Italy) 16-7-59	Bombay Delhi	7 Delhi	5 Rome or Milan	7 Rome	0	Alitalia was authorised to operate to Calcutta in terms of the air services agreement between India and Italy signed in 1959 which right the airline did not exercise for some time and later on in 1972 gave up this right and instead asked for rights at New Delhi during the bilateral consultations held in October, 1972 in Rome which was agreed to by the Indian delegation.
5	Ariana Afghan Airlines (Afghanistan) 26-1-52	Delhi Amritsar	3 Delhi 1 Amritsar	3 Kabul	4 Kabul	4	Operations by Indian Airlines.
6	Alyemda (Yemen) 3-6-77	Bombay	1 Bombay	1 Aden	1 Aden	1	
7	British Airways (U.K.) 1-12-51	No. of frequencies and points are to be agreed upon from time to time between Air India and British Airways.	Delhi Bombay Calcutta	4 & points are to be agreed upon from time to time between Air India and British Airways.	London	16	
7 (A)	Cathay Pacific Airways (U.K.) 1-12-51	Calcutta Delhi or Bombay	Frequencies to be in terms of capacities offered which shall not exceed 858 seats weekly.	Hongkong	5 Hongkong	6	No operation by CPA at present.—Cathay Pacific suspended services to Calcutta of its own accord. Shortage of equipment was reported to be the reason. The air line continues to hold the right to operate to Calcutta under the India-U.K. bilateral agreement.
8	Bangladesh Biman 5-5-78	Calcutta Bombay	28 2 Calcutta Bombay	21 2 Dacca	30 Dacca	7	Operations by Indian Air lines.
9	Burma Airways (Burma) 31-5-63.	Calcutta	4 Calcutta	3 Rangoon	3 Rangoon	..	No operation by Indian Airlines at present.
10	C.S.A. (Czechoslovakia) 19-9-60.	Bombay	2 Bombay	2 Prague	2 Prague	..	Air India operated scheduled services to through Prague from September, 1959 till July, 1971 and now although Air India has rights to operate to/through Prague in

Czechoslovakia, it is not operating to that country since July, 1971 as it has been found to be economically not viable. However, under a commercial arrangement Air India is receiving compensation from Czechoslovak Air lines on accounts of latter's unilateral operations to Bombay.

	1	2	3	4	5	6	7		
11	Ethiopian Airlines (Ethiopia) 3-8-67.	Bombay	2	Bombay	2	Addis Ababa	2	Addis Ababa	1
12	Egypt Air (Egypt) 19-2-68	Bombay (Transiting)	4	Bombay	3	Cairo	4	Cairo	3
13	Gulf Air	..	..	Bombay	17	..	..	Abu Dhabi Muscat Doha Dubai Bahrain	17
14	Garuda Indonesian Airways (Indonesia) 18-9-68	Bombay	2	Bombay	2	Jakarta	2	..	..
15	Iran Air (Iran)	..	..	Bombay	2	..	..	Tehran	2
16	Iraqi Airways (Iraq) 27-5-55	Bombay or Delhi or Calcutta	1	Bombay } Delhi } Calcutta }	1	Baghdad	2	Baghdad	2
17	Japan Airlines (Japan) 26-11-55	Bombay or Calcutta and Delhi	8	Bombay } Delhi }	2 } 2 }	Tokyo Osaka	8	Tokyo Osaka	5 } 2 }

Operations of both Gulf Air and Air India are governed by interline arrangement from time to time.

Until March, 1976, Air India operated a weekly air service through Jakarta against its entitlement of two services per week. Air India discontinued its operations through Jakarta with effect from April, 1976 due to operational reasons, particularly fleet limitations.

Operations governed by ad hoc arrangements,

Under the India-Japan bilateral Air Services Agreement, Japan Airlines has the right to operate to Calcutta or in lieu thereof to

Bombay. The airline commenced services through Bombay with effect from July 1972 and accordingly discontinued operations through Calcutta.

18	Kuwait Airways (Kuwait) 9-6-78	Bombay or Delhi	7	Bombay Delhi	1	6	Kuwait	6	Kuwait	(6/7)	Frequency entitlement for Air India & Kuwaitairways authorised provisionally.
19	K. L. M. Royal Dutch Airlines (Netherlands) 24-5-51	Delhi or Calcutta	2	Delhi	2	2	Amsterdam	2	Amsterdam	1	Although KLM continues to hold the right to operate to Calcutta it had to continue to once weekly service to Calcutta since airline wanted to shift this frequency to Delhi of its own accord and as additional frequency at Delhi was not available to the airline under the bilateral agreements.
20	Kenya Airways 3-11-77	Bombay	4	Bombay	3	3	Nairobi	4	Nairobi	3	
21	Lufthansa (Germany) 31-5-63	Bombay or Delhi	8	Bombay Delhi	3	5	Frankfurt	8	Frankfurt	7	Lufthansa discontinued operations to Calcutta effective April, 1971. Lufthansa also gave up its right under the India/West Germany Air Services Agreement to operate to Calcutta in order to concentrate at Bombay in addition to Delhi.
22	LOT Polish Airlines (Poland) 25-1-77.	Bombay or Delhi or Calcutta	1	Bombay	1	2	Warsaw	2	..	..	Although Polish Airlines holds the right to operate to Calcutta in addition to Bombay or Delhi it has yet to commence operations to Calcutta. The India-Poland air services agreement was concluded in July, 1976. According to the agreement, LOT Polish Airlines was granted rights to operate a weekly service to/through Calcutta. Reciprocally Air India has been permitted to operate two services to/through Warsaw or GDANSK. Although LOT Polish Airlines has commenced operation of its once weekly service only through Bombay w.e.f. September, 1977, Air India has not started operations to/

through Warsaw or GDANSK as it is found economically not viable. However, with a view to safeguard Air India's commercial interests both Air India and LOT Polish Airlines have entered into commercial arrangements whereby the former receives adequate compensation on account of unilateral operations to India by LOT Polish Airlines.

23	Malaysian Airlines (Malaysia) 22-5-74	Bombay } or Madras }	2	Madras	2	Kaula Lumpur 2 Lampur 2		
24	Pan Am (U.S.A.) 3-2-56	Delhi } Calcutta } Bombay } No restrictions } on the number of } frequencies and } capacity }	8 4	Delhi Bombay Calcutta	8 4	Newyork San Francisco or Los Angeles No restriction on the number of frequencies and capacity.	New York	7
25	PIA (Pakistan) 16-6-76	Delhi } Bombay }	4 4	Delhi Bombay	4 4	Karachi } Lahore }	Karachi Lahore	5 2
26	Quantas (Australia) 11-4-79	Delhi } or Calcutta }	3	Bombay	3	Sydney or Melbourne or any other point	Sydney } Perth }	1
27	R.N.A.C. (Nepal) 25-7-72	Delhi } Calcutta } Patna } Varanasi }	9 3 7	Delhi Calcutta Patna	9 3 7	Kathmandu 24	Kathmandu	24

Pan American Airways suspended operations to Calcutta with effect from August 1971 of its own accord for commercial reasons. The airline continues to hold the rights to operate to Calcutta under the India-U.S.A. bilateral agreement.

Quantas suspended Air services to Calcutta with effect from September 1971 of its own accord. However, the airline continues to hold the right to operate to Calcutta in terms of the India-Australia Air Services Agreement.

Operations by Indian Airlines.

Authorised provisionally pending formalisation at governmental level. Operations to Madras by SIA as temporary measure.

The India-Belgium air services agreement signed in 1967, authorises the two airlines viz. Air India and SABENA Belgian Airlines to operate two services each per week, to/through each other's territory. Until March 1971 Air India continued to operate a weekly service through Brussels. Thereafter the service was discontinued because of commercial considerations. The Belgian airline is presently operating two service per week through Bombay. However, the airline's total carriage of passengers traffic has been restricted up to 8000 passengers per annum keeping in view Air India's commercial interests. For passengers carried in excess of the above limit Sabena is required to pay compensation to Air India.

The Air-Services Agreement with Syria was concluded in June 1978, granting right for both Syrian Arab Airlines and Air India to operate scheduled air services to/through each other's territory, in addition to over flying rights across each other's territory on any number of scheduled international services. Even prior to the agreement Syrians were permitted to operate one service through Delhi, as otherwise Syria not being a party of International Air Services Transit Agreement, we had to specifically get permission

28 Singapore Airlines (Singapore) 23-1-68. 4 Bombay Madras 4 Singapore 4 Singapore 3

29 Sabena (Belgium) 6-4-67 2 Bombay 2 Brussels 2 ..

30 Saudi Arabian Airlines (Saudi Arabia) 26-4-73 4 Bombay 4 Dhahran or Jeddah 4 Jeddah 3 1

31 Syrian Arab Airlines (Syria) 3-6-78 2 Bombay 1 Bombay 1 Damascus 2 1 1

Bombay }
Bombay }
Delhi }

for overflying or otherwise avoid overflying or their territory resulting in Air India following circuitous route to go to Beirut and points beyond. This would obviously mean avoidable extra flying time, additional expenditure on fuel and other operational costs. Thus although Air India have no immediate plans to operate air services into Syria, the rights to the Syrian Arab Airlines to operate air services to India had to be conceded in order to obtain the Syrian authorities, unrestricted rights to overfly Syrian territory.

Swiss air has discontinued operation to Calcutta with effect from 1st April, 1969. In 1970, Swiss Air gave up its right to operate to Calcutta and secured rights at Delhi instead during the inter-governmental discussions held in October, 1970. But, at present the airline is not even utilising its rights at Delhi and are concentrating entirely at Bombay.

S.A.S. has been granted temporary traffic rights in India for operation of two weekly services through India one each *via* Calcutta and New Delhi on specified routes. Reciprocally, Air India is entitled to operate two weekly air service transiting a point in either of the three Scandinavian countries *viz*: Denmark, Sweden, and Norway. However Air India is not at present utilising its rights in the Scandinavian countries mainly because of commercial considerations and uneconomic viability of such operation.

32 Swiss Air (Switzerland)
24-6-49

Bombay
Delhi

7

Bombay

7

Geneva
or
Zurich

7

Geneva

3

33 S.A.S. (Denmark, Norway & Sweden) 21-5-48

Delhi
Calcutta

1

Delhi
Calcutta

1

Copenhagen
or
Norway or
Sweden

2

34	Thai Airways (Thailand) 19-12-69	Delhi Calcutta	8	Delhi Calcutta	4	Bangkok	8	Bangkok	6	
35	T.M.A. (Lebanon) 19-9-64	Bombay or Calcutta.	6	Bombay	4	Beirut	5	..	..	No operations by Air India.
36	Air Mauritius (Mauritius) 28-1-72	Bombay	1	Bombay	1	Mauritius	1	Mauritius	2	
37	Ghana Airways (Ghana) 25-1-78	Bombay or Calcutta	2	..	..	Accra	2	Accra	1	No operations by Ghana Airways at present.
38	Nigerian Airways (Nigeria) 31-1-78	Bombay or Calcutta	2	Bombay or Calcutta	2	Lagos	2	Lagos Calcutta	1	No operations by Nigerian Airways at present.
39	Seychelles Airlines (Seychelles) 30-10-78	Bombay	2	Bombay	2	Mahe	2	Mahe	1	No operations by Seychelles Airlines at present.
40	Fiji 28-1-74	Bombay or Delhi	2	..	..	Nandi Delhi	2	..	..	No operations by either airlines.
41	Hungary 23-2-66	Bombay Calcutta	1	..	..	Budapest	1	..	..	Do.
42	Philippines 20-10-49	not specified.	1	..	..	Manila	1	not specified.	..	Do.
43	Maldives International Airlines (Maldives) 13-2-79	Trivandrum Madras.	3	..	..	Male & any other point of IA's choice.	3	Male	2	Operations by Indian Airlines.

APPENDIX II

Summary of Conclusion/Recommendation

S. No.	Para No.	Conclusion/Recommendation
(1)	(2)	(3)
1	2.62 to 2.66	<p>The Committee are distressed to observe that there is serious imbalance in the utilisation of the four international airports of Bombay, Calcutta, Delhi and Madras. The imbalance has been allowed to be accentuated over the years. Owing to low volume of traffic, particularly international, Calcutta and Madras airports have been continuously sustaining heavy losses of nearly Rs. 1 crore a year. On the other hand Bombay and Delhi especially Bombay, airports are afflicted by acute congestion causing avoidable hardship, harrassment and expejse to the passengers.</p> <p>During the last eight years, while at Bombay the international passenger traffic consistently increased from 5,89,642 passengers in 1969-70 to 22,27,066 in 1977-78 (rise of 277 per cent) and at Delhi from 4,22,484 to 12,59,646 (rise of 198 per cent); at Madras the rise has been relatively small from 71,412 passengers in 1969-70 to 1,36,842 in 1976-77 (rise of 90 per cent) but in 1977-78 the traffic has shown a declining trend. In the case of Calcutta, rather than registering any increase, the traffic declined from 2,38,634 passengers in 1969-70 to 1,68,248 in 1976-77 and has shown a marginal increase of 9 per cent in 1977-78. Similarly, the aircraft movement has substantially declined at Calcutta over the above period.</p>

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

The disparity is even more glaring in respect of the operations of Air India our great national carrier. Out of its 45 weekly flights to West, 43 operate from Bombay and 2 from Delhi. Its 10 East bound flights operate only from Bombay. Only a few of its transiting flights touch Calcutta and Madras.

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

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2.67

It is indeed very unfortunate that though Bombay and Delhi airports were bursting at the

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

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2.68-
2.69

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

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

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Gulf traffic in recent years did not open the eyes of the authorities to the realities of the situation and to quickly remedy it.

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2.70

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

5

2.71-
2.72

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

In this connection it is worth mentioning that the International Federation of Airline Pilots Associations (IFALPA) has graded Calcutta airport as Orange Star Class I; Bombay as Orange Star, Madras and Delhi as Red Star from the facilities point of view. Thus Calcutta Airport which is the best equipped and maintained in the country is allowed to languish for want of traffic. The former D.G.C.A. stated in evidence that

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during the bilateral talks they had "generally told" the airlines in an informal way that if they were going to operate through Calcutta/Madras, they might be offered "flexible terms". He, however, admitted that in case an airline wanted to operate at Bombay, Government could easily say 'No' and ask it to land at Calcutta or any other point to disperse the traffic. He also undertook to carry out a detailed study as to how to make foreign airlines to call at Calcutta/Madras but this too has not been undertaken to date, which is not difficult to understand. It is unfortunate that as stated by the Ministry of Tourism and Civil Aviation no specific instructions were issued to foreign airlines to make more use of Calcutta and Madras airports. In the case of Calcutta the least that was needed was to restore the earlier level of operations.

6

2.73

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

7

2.74

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

- (a) Air India's operations should be decentralised so as to have a fair measure of diversification of its both East and West bound flights.

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(b) Instructions should immediately be issued at the highest level for the diversion of flights of foreign airlines to airports other than Bombay and Delhi to the maximum extent within a specified time so as not only to relieve terrific congestion at these airports but also to alleviate the needless distress caused to the international passengers of the Eastern, N.E. and Southern regions, not to speak of genuine encouragement to tourist traffic to these regions, which will go to augment foreign exchange earnings for the country. This would also ensure proper utilization of other Air Ports and reduce unnecessary travel within the country.

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2.75

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

9

2.76

Government have been carrying on the farce of managing congestion in Airports by means of a Standing Central Scheduling Committee at DGCA's Headquarters and four Utilisation Committees each at Bombay, Calcutta, Delhi and Madras. The Utilisation Committees at Calcutta and Madras, which was a misnomer for these were not concerned with improving utilisation, were set up much later than those at Bombay and Delhi. It was admitted by the representatives of DGCA and IAAI that the Central Scheduling Committee as well as the Utilisation

(1)	(2)	(3)
		<p>Committees have not been useful even in removing peak hour congestion as the real problem was the imbalance created by the ill-planned bilateral agreements and commercial arrangements which the Committee have dealt with elsewhere in this Report. The Committee feel that there is no point in continuing these Committees.</p>
10	3.93	<p>The Committee are shocked to observe that the Bilateral Air Services Agreements entered into by Government with foreign countries and the interline[commercial] arrangements settled by Air India with foreign airlines are replete with serious deficiencies and irregularities. These are heavily weighed against the national interest granting undue concessions to the foreign airlines especially those belonging to countries other than Socialist countries.</p>
11	3.94	<p>The former Director General Civil Aviation at first made an effort in vain to suggest that the flight of foreign airlines in India were strictly governed by "reciprocity" of arrangements under Bilateral Air Services Agreements entered into with other countries. In actual practice, the position is that as against 217 services operated by foreign airlines in India, Air India and Indian Airlines are operating only 170 services in other countries. Whereas foreign airlines have made almost full use of their rights in India, there is persistent under-utilisation of Air India's rights in other countries and the 'socalled reciprocal rights' remain only as "paper rights" at a considerable cost to the country. For instance, Swiss Air operates 7 flights in India as against 3 flights by Air India in Switzerland, though it has equal rights. Similar is the case in regard to several other airlines (Quantas, Alitalia, KLM, Lufthansa, etc.). The result has been that of the total international passengers carried from| to India, the share of the national carriers is only 42.8 per cent and the remaining 57.2 per cent is</p>

(1)	(2)	(3)
		<p>carried by foreign airlines. It was admitted by the Managing Director, Air India that they should either operate the same number of services as the foreign airlines do or "ask the Government to cut their services". He also admitted that if the frequency operations of foreign airlines were brought down to their level, their traffic share would go up to 50 per cent. The Committee feel that if this cannot be ensured the foreign Airlines should be made to pay for whatever imbalance is there in the light of this Report. It should be borne in mind that these airlines have already derived substantial advantage at our cost.</p>
12	3.95	<p>From the point of view of commercial arrangements that have been entered into by Air India with foreign airlines ostensibly to have compensation for the letters exceed deployment of capacity and/or excess carriage of traffic, hence the extra revenue earned which were cited by the former DGCA as factors to be reckoned with in considering the reciprocity of arrangements, the picture is dismal.</p>
13	3.96- 3.97	<p>It is only in the case of USSR, Czechoslovakia and Poland that the bilateral agreements provide for commercially pooling arrangements by Airlines. In certain other cases also Air India has concluded commercial arrangements as "incidental to operations". Curiously enough in a number of cases there are no such arrangements at all, e.g., Air France, Alitalia, Lufthansa etc. Thus whilst for excess carriage, Air India is paying huge amounts to British Airways and to a number of other airlines, it has not been receiving its due compensation under similar circumstance of excess carriage by Air France, Lufthansa etc. Even from the traffic uplift point of view, it is noted that though Air India has been carrying more passengers to Australia, Japan and Italy than their airlines it has been</p>

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loosing heavily on India-Australia, India-Japan and India-Continent routes, which in 1977-78 alone amounted to Rs. 360 lakhs.

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

14 3.98 The Committee are convinced that the so called reciprocal arrangements are nothing but a "myth" which has now been exploded. Not only did the Ministry and the DGCA not try to strike a good bargain during bilateral talks but permitted the foreign airlines to operate more services in India than what the national carriers were able to operate in those countries. All this reflects very badly on the Ministry, DGCA and Air India. Undoubtedly the foreign airlines earned rich dividends at the country's cost. The Committee strongly suspect that this was not allowed for nothing.

15 3.99 The former DGCA clarified that numerical restrictions were imposed on foreign airlines in Delhi and Bombay to narrow down the imbalance in the frequency of operations and persuade them to operate to Madras and Calcutta. Such restrictions have been imposed on five airlines viz., SAS, Sabena, KLM, Iraqi Airways and Gulfair. The Committee are not at all surprised in view of what has been stated by them earlier that all of them have violated the restrictions with impunity and most of them got away with it. Some compensation on account of excess

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carriage has been received by Air India from two airlines only, i.e., KLM and Sabena. Rather than enforcing the restrictions, free quota of certain airlines (SAS, Sabena) was increased subsequently without getting compensation for their past excessive uplift or any additional benefit for Air India. In the cases of Gulf Air the DGCA stated that the numerical restrictions was "difficult of supervision" whereas Air India felt it was "perfectly possible to check it". whatever may be the position the fact remains that no check of this kind has even been carried out for reasons not difficult to understand. In the case of Iraqi Airways the position was stated to be unique in that whilst there was traffic restriction for carriage between India and Baghdad, they could carry unlimited traffic between India and intermediate points, and no action has been taken against the airline for excess carriage.

16

3.100-
3.101

It was admitted by the spokesman of the Directorate General Civil Aviation as well as by the former DGCA that they had no enforcement machinery to check that the restrictions were adhered to by foreign airlines or the figures supplied by them were correct, and that these restrictions had no effect on the diversification of flights or removing congestion in Bombay and Delhi. There was no other alternative left to them but to admit this.

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

(1)	(2)	(3)
		situation is intolerable and responsibility should be fixed for suitable action.
17	3.102	The Committee further require that the whole matter of numerical restrictions should be examined immediately with a view not only to taking appropriate action against the foreign airlines which indulged in violations and getting due compensation from them for past excess carriage but also to have necessary machinery and arrangements for rigidly overseeing their operations in the country and ensuring compliance with restrictions in future.
18	3.103- 3.104	Another disquieting feature of the so called reciprocity of arrangements is that as many as 8 foreign airlines (<i>viz.</i> , Czechoslovak Airlines, Garuda Indonesian Airways, LOT Polish Airlines, Sabena, Syrian Arab Airline SAS, Burma Airways and Trans Mediterranean Airways) are unilaterally operating in India. Air India/ Indian Airlines have either discontinued their operations to these countries or have not commenced operations to these countries due in most cases to not being "economically viable". No compensation is being received from Garuda Indonesian Airlines, Burma Airways and Trans-Mediterranean Airways for their unilateral operations while with others Air India is stated to have commercial arrangements for receiving some compensation.
		In this connection the Committee note that requests for bilateral air services arrangements from seven countries (<i>viz.</i> , Bulgaria, Korea, Rumania, Yugoslavia, GDR, Jordan and Spain) have been turned down time and again because of Air India's recommendations that there was "inadequate traffic potential" and the DGCA has no means of disputing their figures. The Committee found that in many cases no traffic sur-

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		veys have been conducted by Air India recently. In other cases these were either conducted long time back or conducted perfunctorily. Furthermore, when Air India did not maintain figures even for internal traffic, they cannot be relied upon for external statistics. There is need for DGCA strengthening its machinery in this behalf. A uniform policy must be followed in the matter of unilateral operation of foreign airlines rather than leaving it to the discretion of Air India.
19	3.105- 3.106	<p>The Committee are horrified to note that during the last 3 years Air India in its interline agreements and commercial arrangements with foreign airlines flouted with impunity the provisions of bilateral agreements in several cases involving substantial modifications of the bilateral agreements. These included agreeing to revision of numerical restrictions on fifth freedom carriage and to points not specified in the bilateral agreements (Singapore Airlines); carriage of traffic in excess of permitted free quota (Sabena and KLM); enhancement of frequencies, (Alitalia and Lufthansa) and allowing extra services without any restrictions (Kuwait Airways) etc. These frequencies were enhanced despite the fact that Air India was not even utilising its earlier frequency entitlements in those countries. The above arrangements with Singapore Airlines, Lufthansa and Kuwait airways are yet to be finally approved by Government. Two airlines (i.e., Gulf Air and Iran Air) have been operating solely under interline arrangements without any bilateral agreements.</p> <p>What is most disgraceful is that the officials of Air India have been going out of way to help the Foreign Airlines. In this connection the following cases are noteworthy:—</p> <p>(a) In the case of Singapore Airlines, Dir. General of Civil Aviation was not agree-</p>

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ing to accord approval as it was detrimental to the interests of Air India. The Commercial Director of Air India (Shri I. D. Sethi) was putting pressure on DGCA in this regard. As admitted during evidence, he telephoned the former DGCA (Shri Gidwani), followed by a letter dated 7-4-1978 through special messenger and got provisional approval of DGCA on 10-4-1978 (8th and 9th being closed holidays). The DGCA also followed an unusual course, and gave approval to the arrangements while approving the summer time schedule of Singapore Airlines, without any noting on the file. All this shows undue haste and is open to serious suspicion.

- (b) In regard to giving extra rights to Kuwait Airways, Air India first wrote to DGCA on 18-5-1978 that they were totally opposed to granting any extra rights. But soon after they recommended on 22-6-1978 that the same should be granted. In this context a suspicion is lurking in the mind of the Committee, that Shri K. K. Menon, Regional Director Air India (Middle East) who had joined Kuwait Airways after retirement in February, 1978, had perhaps been operating behind the scene.
- (c) Gulf Air has been allowed to operate for last two years under interline agreement of April 1977 and without a proper bilateral authority. In this context the Committee noticed that Shri R. Venkataraman, Planning Officer of Air India who headed the Air India team for interline agreement of April, 1977 has joined Gulf Air after retirement in July, 1977. The role played by him dur-

ing negotiations with Gulf Air is too obvious to warrant any further comment by the Committee.

- (d) As admitted during evidence, the Ministry and the DGCA are at present solely guided by the Commercial judgement of Air India and have "nothing" of their own "to go by". In a number of cases (Singapore Airlines, Lufthansa etc.) they accorded provisional approval to interline arrangements while approving the time schedules of foreign airlines rather than after subjecting the arrangements to proper scrutiny.

20 3.107 In this connection the Committee have also come across a case where a Dy. DGCA (Shri G. R. Kinhpath) had authorised operation of cargo charters to Gulf countries by a private foreign company with which his brother was associated suppressing this fact from higher authorities. It is not desirable to keep such an officer in any position where malpractice is possible.

21 3.108 The Committee are unable to resist the feeling that high officials of Air India and to some extent of the DGCA have been helping the foreign airlines in increasing their business to serve their own interests and to the detriment of interests of Air India and of the country at large. The Committee require that there should be an immediate probe into all the cases cited by the Committee to bring the delinquent officials to book and to remedy the situation. The Committee also require that:—

- (a) The procedure and practices adopted by the Ministry of Civil Aviation and Tourism and the DGCA should be thoroughly overhauled to ensure that there are inbuilt checks against any kind of negligence or malpractice either in their organisation or in Air India as
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		<p>is evident from the <i>maladies</i> pointed out by the Committee. An efficient system of monitoring and review of the foreign airlines operation in our country <i>vis-a-vis</i> of national carriers operators abroad to apply timely correctives in national interest is also necessary.</p>
		<p>(b) Suitable instructions should immediately be issued by Government regarding the officials of public undertakings taking up jobs in foreign companies or organisations after retirement so that there is no corrupt practice possible.</p>
22	3.109	<p>The Committee are led to the inescapable conclusion that there is no clear cut policy of Government and detailed guidelines to govern inter-governmental bilateral agreement and interline commercial pooling arrangements. Whatever imbalance was there has been accentuated further from time to time due to motivated policies pursued by the Ministry, the DGCA and Air India. Neither the commercial interest of Air India nor the interest of IAAI nor the interest of users has been served. There is no co-ordinated examination and periodic review of agreements. No competent machinery is there to watch the actual operations with reference to the restrictions imposed on foreign airlines. All these loopholes cannot be attributed to mere mismanagement, but have deeper causes underlying which have to be rooted out. This is an area which has never drawn any serious attention of the top authorities in the country as well as of Parliament.</p>
23	3.110	<p>The Committee are therefore constrained to recommend that a high powered standing Council, consisting adequate number of Members of Parliament and representatives of the State Governments besides officials presided over by the</p>

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Minister of Civil Aviation should immediately be set up to go into all these matters and constantly oversee and monitor the functioning of the Ministry, DGCA, Air India, IAC and IAAI and above all to bring about harmony in the working of these bodies and a coordinated approach to all the problems in the interest of the country and the users, which the Ministry has miserably failed to do.
