

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1987-88)**

(EIGHTH LOK SABHA)

**AIR INDIA—AGENCY SYSTEM AND PASSENGER
SERVICES**

(Ministry of Civil Aviation)

Action Taken by Government on the recommendations contained in the
24th Report of the Committee on Public Undertakings (Eighth Lok Sabha)



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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
COMPOSITION OF THE ACTION TAKEN SUBCOMMITTEE	(v)
INTRODUCTION	(vii)
CHAPTER I Report	1
CHAPTER II Recommendations that have been accepted by Government	9
CHAPTER III Recommendations which the Committee do not desire to pursue in view of Government's replies	19
CHAPTER IV Recommendations in respect of which replies of Government have not been accepted by the Committee	24
CHAPTER V Recommendations in respect of which final replies of Government are still awaited.	28
APPENDICES	
I Minutes of the 33rd sitting of Committee on Public Undertakings (1987-88) held on 30-3-1988	32
II Copy of the Notification published in Gazette of India (Part III Section 4) dated 14th November 1987 appended <i>Vide</i> reply to recommendation at Sl. No. 7 (Para 2-104) of Chapter-IV	34
III Article "9C" and "19" of the GSA Agreement appended <i>Vide</i> reply to recommendation at Sl. No. 17(iii))Para 3-15 (iii) of Chapter-IV.	36
IV Analysis of action taken by Government on the recommendations contained in the Twenty-Fourth Report of Committee on Public Undertakings (Eighth Lok Sabha)	39

COMMITTEE ON PUBLIC UNDERTAKINGS

(1987-88)

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*Ceased to be a Member of the committee consequent on his retirement from Rajya Sabha on 2-4-1988.

**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE
ON PUBLIC UNDERTAKINGS
(1987-88)**

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6. Prof. P. J. Kurien
7. Prof. Saif-ud-din Soz

INTRODUCTION

1, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 40th Report on Action Taken by Government on the recommendations contained in the 24th Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Air India—Agency System and Passenger Services.

2. The 24th Report of the Committee on Public Undertakings was presented to Lok Sabha on 24 April, 1987. Replies of Government to all the recommendations contained in the Report were received on 19 February, 1988. The replies of Government were considered by the Action Taken Sub-Committee of Committee on Public Undertakings on 30 March, 1988. The Committee also considered and adopted this Report at their sitting held on 30 March, 1988.

3. An analysis of the action taken by Government on the recommendations contained in the 24th Report (1986-87) of the Committee is given in Appendix-IV.

VAKKOM PURUSHOTHAMAN
Chairman,
Committee on Public Undertakings.

NEW DELHI;
18 April, 1988

29, Chaitra, 1910 (Saka)

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Twenty-fourth Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Air India—Agency System and Passenger Services which was presented to Lok Sabha on 24 April, 1987.

2. Action Taken Notes have been received from Government in respect of all the 28 recommendations contained in the Report. These have been categorised as follows :—

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

S. Nos. 4, 8, 9, 11, 14, 15 and 18 to 27.

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

S. Nos. 3, 12, 13, 16 and 17(i), (ii), (iv) and (v).

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

S. Nos. 1, 6, 7, 10 and 17(iii).

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

S. Nos. 2, 5 and 28.

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

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

A. *Problem of undercutting of fares*

Recommendation Sl. No. 1 (Paragraph Nos. 1.32 & 1.33)

5. The Committee were distressed to find that the discounting practice introduced in the wake of fierce competition among international airlines has opened floodgate of corruption, malpractices and irregularities. The Committee recommended in this context that instead of Air India being forced to resort to such unethical practices, the matter should be taken up with the Fair Deal Monitoring Group of IATA for effective implementation of tariff integrity measures by various airlines and also to bring GSAs within the ambit of IATA regulations so as to prevent GSAs from being used as

conduits for offering discounts by airlines. The Committee also recommended that simultaneously, the matter should be taken up with the concerned Governments for enlisting their cooperation in the matter and if need be, the fare structure may be rationalised depending upon the market Conditions resulting from inter-airline competition.

6. The Government have stated in their reply that no voluntary agency or Government can take any effective action against such undercutting and that the IATA machinery is also helpless in this regard since many of the carriers which resort to undercutting are non-IATA carriers.

7. The Committee are not happy over the reply of Government stating "no voluntary agency or Government can take effective action against the malady of undercutting of fares prevalent in the Airline Industry". This, to say the least, is disappointing. The Committee are strongly of the view that a workable solution can be found to overcome this problem provided the matter is given the importance it deserves and the matter taken up appropriately in the various international forums, including IATA, to muster their support with a view to take effective action. This will open a new leaf in the annals of international cooperation. This Committee hope that Govt. will take action accordingly.

B. Action on the officials found guilty

Recommendation Sl. No. 5 (Paragraph Nos. 2.100 to 2.102)

8. The Committee had, *inter alia*, recommended as under :—

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

9. The Government have stated in their reply that as result of the enquiries conducted, and also on the basis of the recommendations of the CVC, action to the extent possible has been taken against the officials, as indicated below :—

- (i) Departmental proceedings have been initiated against Shri F. E. De Gama;
- (ii) Retirement benefits due to Shri S. S. Kaul have been withheld; and
- (iii) Shri H. M. Kaul was divested of the post of Commercial Director and transferred as Director-Planning, from which post he voluntarily retired later. Legal opinion has been obtained on the question of initiating action against Shri H. M. Kaul.

10. The reply is silent on the question of taking legal action against Shri S. S. Kaul. In so far as, Shri H. M. Kaul is concerned it is not clear as to what is the legal opinion obtained on the question of initiating action against him. The Committee would like to be apprised of the full facts. The Committee desire that the process of taking departmental/legal action against officials should be completed expeditiously and the Committee be informed of the final outcome.

C. CBI Probe

Recommendation Sl. No. 6 (Paragraph No. 2.103)

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

12. The Government have stated in their reply that as the overpayment of incentive commission to the GSA London has been examined by various committees, further probe by the C.B.I. may not unearth any fresh facts. The Government have stated further that considering the fact that the contract with the previous G.S.A. London has already been terminated and

action against some of the officials who were involved has been taken to the extent possible as per the Air India Employees' Service Regulations, C.B.I. enquiry into this episode, does not appear necessary at this late stage.

13. The Committee are not satisfied with the Government's reply. The enquiries held so far were headed by the officials within or connected with Air India, who for obvious reasons could not take an independent view particularly of the role played by the CMD of Air India (Shri Raghu Raj). It is in this context that the Committee had suggested a CBI probe in the matter. The Committee, therefore, reiterate that Government should conduct a CBI probe into the whole matter without further loss of time and report the outcome to the Committee.

D. Review of Employees' Service Regulations

Recommendation Sl. No. 7 (Paragraph No. 2.104)

14. The Committee had observed that there was no provision in the Air-India Employee's Service Regulations to withhold permission for voluntary retirement of S/Shri S. S. Kaul and H. M. Kaul even when vigilance enquiry was going on against them. The Committee had been informed that only now rules have been amended to rectify the deficiency. The Committee in this context had recommended that the BPE should critically review the Service Regulations of Air India Employees with a view to identify any other similar shortcomings in the rules and ensure that there is no room for loopholes in future.

15. The Government have stated in their reply that normally it is the Air India Board which considers the various amendments to the service regulations which are later sent to the Government for approval. It has been stated that before approval is conveyed, BPE is consulted and further amendments, if any, are made on the basis of the advice of the BPE. The Government have further stated that wholesale revision of the Air India Employees Service Regulations by the BPE may not serve any useful purpose and the power to examine whether any other regulation of Air India Employees' Service Regulations needs amendment should be left to the Management and the Board of Directors of Air India.

16. The Committee do not agree with the Government's reply. The fact that such loopholes as cited by the Committee existed in the Air India Employee's Service Regulations and that Air India made amendment to the rule only when the matter was taken up by the Committee clearly calls for a critical review of the remaining rules and regulations with a view to plug such other loopholes as may be revealed by that exercise. The Committee fail to understand how the Ministry came to the conclusion that such an exercise by the BPE may not serve any useful purpose. The Committee,

therefore, reiterate that the critical review of the Service Regulations by BPE should be undertaken as early as possible with a view to ensuring that the Service Regulations are fool-proof in all respects.

17. The Committee also do not think that taking the assistance of BPE in carrying out this exercise will in any way infringe the powers of the Management and the Board of Directors of Air India. The outcome of the review by BPE will only help the Management and the Board to look into not only the specific points, but also the whole set of Regulations for taking appropriate action. The Committee consider that such an exercise by BPE, will enable it to advise corrective action by other Public Sector Undertakings to rectify such deficiencies in their rules.

E. Vigilance cases of Board level appointees

Recommendation Sl. No. 8 (Paragraph No. 2.105)

18. The Committee were informed that Air India could not take timely action against guilty officials due to the requirement that the concurrence of Central Vigilance Commission (CVC) had to be obtained before taking action against officials drawing more than Rs. 1800 basic pay. The Committee had also noted that Air-India's Vigilance report was forwarded to the Central Vigilance Commission on 8th July, 1985 and CVC's advice in this regard was received sometime in December, 1985 but in the meantime, Shri H. M. Kaul had reportedly taken recourse to voluntary retirement on 31st August, 1985. Accordingly, the Committee recommended that all the public sector undertakings should be empowered to initiate action against the officials suspected to be guilty without waiting for the formal concurrence of CVC. In such cases the CVC can be asked to act as a reviewing or supervisory authority. The Committee also felt that it was high time that the rules of CVC in this regard were re-examined with a view to remove the lacunae, if any.

19. The Government have stated in their reply that according to revised instructions issued by the BPE in October, 1986, the vigilance cases of only Board level appointees of PSEs are to be referred to CVC for advice. In respect of appointees below the Board level, no reference need to be made to the CVC. It has been stated that the Board of Directors being the appointing authority of such personnel, will have the powers to take disciplinary action against such personnel.

20. The Committee note that Air India have since issued a Notification amending Air-India Employees' Service Regulations. According to this notification an officer of Air India would not be allowed to voluntarily retire if any disciplinary action is pending against him or any disciplinary proceedings are proposed to be taken against the employee by the appropriate authority. The allegations against Shri H. M. Kaul are of a very serious nature.

The Air India's Vigilance Report was forwarded to the Central Vigilance Commission on 8 July, 1985 and their advice was received on December, 1985. In the meantime Shri Kaul was allowed to voluntarily retire on 31st there was no provision in their Rules to stop his voluntary retirement which there was no provision in their Rules to stop his voluntary retirement which position they have now rectified by issuing the revised instructions. The Committee do not find any provision in the revised instructions for placing such officers under suspension pending inquiry against them. Apart from reiterating their earlier recommendation that all public sector undertakings should have powers to initiate action against suspected officers guilty of misconduct without waiting for the formal concurrence of CVC, the Committee would like that a provision should also be made in the revised instructions of Air India for placing such guilty officers under suspension. The Committee have in their recommendation required that appropriate legal action should also be initiated against Shri H. M. Kaul on the basis of the findings of the Chief Vigilance and Security Manager, Air India without any loss of time. In their action taken reply the ministry have simply stated that legal opinion has been obtained on the question of initiating action against Shri H M. Kaul. What is most surprising is that they have not indicated as to the nature of the legal opinion and the authority from whom they have sought the legal opinion. They, therefore, cannot but have an impression that the ministry do not appear to be serious to punish the guilty officer. The Committee hope that the Government will take up the whole matter in a serious manner, amend the rules accordingly and as already recommended by the Committee on Public Undertakings take legal action against Shri H. M. Kaul so that he is not allowed to go scot-free.

F. Failure to amend the contract with HTS in time

Recommendation Sl. No. 9 (Paragraphs 2.106 to 2.109)

21. The Committee had noted, *inter alia*, that in regard to the notice period for termination, though the IATA stipulation is only for 60 days' notice, special favour had been shown to HTS by incorporating a six months notice period in the contract. This was reportedly done in April, 1980 by the then Regional Director-UK (Shri Periera) with the approval of the then Dy. Managing Director (Shri I. D. Sethi). The Committee noted further that both of them had since retired from service. What particularly irked the Committee more was that even when this fact had been brought out by Capt. A. M. Kapur in his report (February, 1985), the management was not vigilant enough to amend the contract suitably without loss of time. As a result when ultimately it was decided to serve notice for termination, the Managing Director claimed before the Committee that Air-India had no option but to go by six months notice period. The Committee held the Managing Director responsible for this lapse.

22. The Committee regret to note that no explanation has been given in the government's reply as to why no action was taken to amend the contract with HTS so as to bring down the notice period to 60 days when this was brought to the notice of the management by Capt. A. M. Kapur in his report. The Committee would await an explanation in this regard.

G. Enquiry into the Missing file

Recommendation Sl. No. 10 (Paragraph No. 2.110)

23. The Committee, *inter-alia*, noted that some documents relating to the outstandings of the year 1982-83 had not been submitted. More seriously, the files pertaining to incentive filings for 1982-83 have been missing from commercial headquarters since August, 1983. The Committee recommended that Air-India should investigate the matter again and fix responsibility for missing of vital documents from the Corporation.

24. The Government have stated in their reply that further investigations of Air-India to trace the missing file and to pinpoint the responsibility for the loss, did not yield any result and that Air-India reconstructed the file, after obtaining copies of the correspondence. The Government have stated further that there appears to be no need for a further probe in the matter.

25. The Committee feel that in order to ascertain as to whether the file was deliberately removed from office by some individual officer with a view to concealing the relevant records and also to prevent recurrence of such loss of vital documents in future, it is absolutely necessary to make thorough investigation into the matter with a view to fix responsibility. The Committee desire that immediate action should be initiated in this regard.

H. Streamlining the working of London Office

Recommendation Sl. No. 15 (Paragraph 3.13)

26. Referring to the Air India's London Office, the Committee had desired that at least now the management should take some imaginative steps to put this office in order and utilise the surplus staff if any, within the organisation. The Committee also desired to be informed of the measures taken in this regard.

27. The Government have stated in their reply that Air India has taken necessary steps to streamline the working of its office in London.

28. The specific measures taken to streamline the working of Air India's office in London have not been mentioned in the reply. The Committee would await this information.

I. Termination without Notice

Recommendation Sl. No. 17 (iii) [Paragraph No. 315 (iii)]

29. The Committee had, *inter-alia* noted that inspite of the undesirable experience with the HTS, no caution had been taken by Air-India to include a clause in the agreement with Gimvale Ltd. relating to malpractices with a proviso for immediate termination of agreement on this ground. The Committee recommended that this should be done without delay.

30. The Government have stated, in their reply, that to ensure that there are no reservation/malpractices, GSA has been held solely responsible under Article "9C" as well as Article "19" of the GSA Agreement to be responsible for any denied Boarding Charge. It has been stated that notice period for termination of appointment has been reduced to 60 days as against six months for the earlier GSA. The Government have also stated that article 17 of the agreement provides for termination forthwith in case the GSA defaults in observing or performing any of the provisions of the agreement.

31. The Committee are constrained to point out that inspite of the specific provision contained in article 17 for termination of agreement forthwith in case of defaults etc. and such a provision having been incorporated in the agreement entered into with the earlier GSA—Hindustan Travel Service (HTS), the Air India had expressed inability to dispense with the notice period when the question of termination of agreement with HTS, who were committing countless irregularities and malpractices was raised. The Committee therefore, reiterate that the article 17 of the agreement should be suitably modified to cover irregularities and malpractices as grounds attracting termination of agreement forthwith without notice. The Committee would like to be apprised of the action taken in this regard within three months from the date of presentation of this report.

J. Guidelines on contracts with private parties

Recommendation Sl. No. 28 (Paragraph Nos. 5.27 & 5.28)

32. Referring to air India's contract with Asia publishing House, Delhi for publication of in-flight magazine, the Committee felt that the five year contract and requirement of one years' termination notice thereafter represented an unduly long period which needed to be brought down to

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

33. The Government have stated in their reply that the recommendations of the Committee will be forwarded to the BPE for further action.

34. The Committee desire that this should be done without any further delay and a copy of the guidelines issued by BPE forwarded to the Committee for information.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 4 (Paragraph No. 2.99)

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

Reply of the Government

The findings of the enquiry done by a joint secretary in the Ministry are summarised below :

1. The situation which was existing in the London market during 1982-83 was unusual and there was fierce competition from other airlines who were trying to capture the market share of Air India by offering discounts;
2. The period was also beset with industrial strife resulting in confusion and chaos, so far as Air India was concerned, which made the Corporation rely heavily on the GSA;
3. The incentive payment as ratified, was far below the level of incentives given by other major carriers around that time and even beyond;
4. Payment of incentives has been ratified both by the competent authority (Commercial Director Air India) and the Chief Executive (Chairman-cum-MD);

5. Considering the situation prevalent at that time there was enough justification for the payment of incentive commission to the USA, depending upon the requirements of the situation;
6. Even though some procedural lapses have occurred, the entire transaction cannot be faulted on the basis of the lapses; the main consideration was that Air India had to face the challenge of other carriers in the UK market.

[Ministry of Civil Aviation O.M. No. H. 11013/3/87-AA dt. 9 Dec. 1987]

Recommendation Sl. No. 8 (Paragraph No. 2.105)

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

Reply of the Government

According to revised instructions issued by the BPE in October, 1986, the vigilance cases of only Board level appointees or PSEs are to be referred to CVC for advice. In respect of appointees below the Board level, no reference need to be made to the CVC. The Board of Directors being the appointing authority of such personnel, will have the powers to take disciplinary action against such personnel.

[Ministry of Civil Aviation O.M. No. H. 11013/3/87-AA dt. 9 Dec. 1987]

Comments of the Committee

(Please see paragraph No. 20 of Chapter I of the Report)

Recommendation Sl. No. 9 (Paragraph Nos. 2.106 to 2.109)

Air-India's London GSA-Hindustan Travel Service had been committing countless irregularities and malpractices some of which have been

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

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

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

The Committee are painfully shocked to know that the outstandings from HTS as on 15th Feb., 1986 were of the order of Rs. one crore.

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

Reply of the Government

During the oral evidence of Air-India and the representatives of the Ministry, the subject of overpayment to the previous GSA, London has been gone through in detail. While giving replies to the recommendations of the Committee elsewhere also the facts have been brought out to the extent necessary. Recommendations of the Committee have been accepted in some cases. It has to be stressed here that Government took action after the appearance of news items about overpayment. It has also been brought to the notice of the Committee that all payments which have been made as incentive commission have been approved by the competent authority. Sh. H. K. Malik, the present Commercial Director of Air-India, was working as Regional Director, Geneva prior to his promotion. Based on the assessment of his work and seniority, Sh. H. K. Malik has been promoted in the organisation according to the normal rules. So far as the recovery of dues from the previous G.S.A. is concerned, Air-India has encashed the bank guarantee of U.K. £ 6,00,000 which adequately covers the outstanding amount. Certain items are under dispute and these will have to be resolved during meetings as is normally done. Recovery of any dues from M/s Janta Travels may not be appropriate and legally defendable.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Comments of the Committee

(Please see Paragraph No. 22 of Chapter-I of the report)

Recommendation Sl. No. 11 (Paragraph No. 2.111)

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

expected to decide on this aspect and it is for the Management to decide". The Committee observe that in terms of Section 4 of the Air Corporation Act, 1953, the management of the affairs of the Corporation is vested in the Board of the Corporation. The Committee desire that at least in future the Board should effectively involve itself in the Affairs of the Corporation and give the necessary guidance where it is sought by the management.

Reply of the Government

Recommendations of the Committee will be communicated both to the management and the Board of Directors of Air-India.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 14 (Paragraph No. 2.114)

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

Reply of the Government

The present Board of Directors of Air India, consisting of eminent persons from diverse fields are examining the system of incentive payments. The suggestion of the Committee for reviewing the incentive payments and agreements with the GSAs for the past five years has been accepted and the Board of Air India will be entrusted with this task.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 15 (Paragraph No. 3.13)

The working of Air India's London office is a typical case of malfunctioning. According to the findings of audit, the administrative set up at the London office was quite disorganised; duties and responsibilities were not clearly defined, internal control and internal checks were very weak; there was lack of clear-cut policy and directions; there was no proper system of filing. Besides all these the office was largely overstaffed. The Committee hope that at least now the management will take some

imaginative steps to put this office in order and utilise the surplus staff if any, within the organisation. The Committee would like to be informed of the measures taken in this regard.

Reply of the Government

Air India has taken necessary steps to streamline the working of its office in London.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Comments of the Committee

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

Recommendation Sl. No. 18 (Paragraph No. 3.16)

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

Reply of the Government

Recommendation of the Committee is accepted.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 19 (Paragraph Nos. 4.39 & 4.40)

A service enterprise like Air India should be customer-conscious in order to earn and maintain its image. Air India has, however, of late come in for criticism that it runs a second class service and that its inflight and ground services have been markedly poor. More seriously, there have been complaints about bribery and corruption at Airports and Booking Offices. Off-loading of passengers having confirmed and re-confirmed tickets has been a frequent recurring phenomenon.

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

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

Reply of the Government

Recommendations of the Committee have been noted. The new Board of Directors of Air India have taken an initiative in regard to the identification of the thrust areas on which concentrated attention should be paid by Air India to improve its service and to enhance the prestige of the Airline. The thrust areas identified include ground handling both at the airports and the booking offices, inflight service, on-time performance, etc., etc.

[Ministry of Civil Aviation O.M. No. H. 11013/3/87-AA dt. 9 Dec. 1987]

Recommendation Sl. No. 20 (Paragraph No. 4.41)

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

Reply of the Government

Air India have been advised to follow the recommendations of the Committee.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 21 (Paragraph No. 4.42)

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

Reply of the Government

Recommendation of the Committee is accepted. Suitable instructions will be issued to Air India.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 22 (Paragraph No. 4.43)

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

Reply of the Government

The observations of the Committee have been noted. Suitable instructions will be issued to Air India.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 23 (Paragraph No. 4.44)

The Committee note the prevailing practice in Air India vesting the flight commander with discretionary powers on the question of off-loading the baggage of 'Gate-no-show' passengers. The Committee regret to note that this practice admittedly was not reviewed by Air India even after Kanishka crash which is attributed to a bomb explosion. In Committee's view this practice constitutes a serious security hazard inasmuch as it leaves chances for a person to pass on a baggage containing incriminating material without boarding the flight. While Air India claimed that no written instructions clarifying the position in this regard were received from the Director Civil Aviation Security, the Civil Aviation Ministry informed the Committee that instructions had been issued to Air India to ensure off-loading the baggage of any passenger who did not board aircraft. The Committee desire that there should be no confusion and uncertainty in matters concerning security. The Committee, therefore, recommend that written instructions in this regard should be issued in unambiguous terms.

Reply of the Government

Instructions have been issued to Air India to ensure that baggage of any passenger who does not board the aircraft must be off-loaded. After the recommendations of the Kirpal Commission, further instructions have been issued in this regard.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 24 (Paragraph No. 5.23)

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

Reply of the Government

Further action is being taken to implement the career pattern of the pilots. Officials of Air India/Indian Airlines/Vayudoot are working on the scheme. To tide over the immediate problems, Air India have taken action to recruit 21 pilots during 1987.

[Ministry of Civil Aviation O.M. No. H. 11013/3/87-AA dt. 9 Dec. 1987]

Recommendation Sl. No. 25 (Paragraph No. 5.24)

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

Reply of the Government

Observations of the Committee have been noted.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 26 (Paragraph No. 5.25)

The Committee on Public Undertakings have stressed in a number of reports that it is not desirable to have Secretaries of Ministries in the Board of Public Undertakings. It is neither conducive to the autonomy of the

undertaking nor does it help in keeping an independent control over the public enterprises when the Secretary of the controlling Ministry is on the Board of the Undertakings. The Committee however, note that Air India Board had in the past a number of Secretaries of Government including Civil Aviation Secretary as its Members for one reason or the other. The Committee desire that this practice should be reviewed in the light of the Committee's observation above.

Reply of the Government

The recommendation of the Committee has been noted. In the present Board of Directors of Air India, which was constituted in September, 1986, no Secretary to the Government of India has been included.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 27 (Paragraph No. 5.26)

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

Reply of the Government

Air India have already submitted to the Committee many problems which it is likely to face, if the printing of 'Namaskaar' is to be done by the Air India Press. However, the matter will be reviewed in the light of the recommendations of the Committee after the expiry of the present contract with M/s. Asia Publishing House, in December, 1988. Any premature termination of the contract is likely to lead to litigation.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

CHAPTER III

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

Recommendation Sl. No. 3 (Paragraph No. 1.35)

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

Reply of the Government

Irregularities and malpractices of H.T.S. cannot have a direct bearing on the working of M/s Janata Travels which is a separate entity. According to the information furnished by Air-India, the net productivity of M/s Janata Travels during the last three years is as under :

	(Rs. in lakhs)	
	<i>Passenger</i>	<i>Cargo</i>
1984-85	610.26	182.61
1985-86	715.17	107.42
1986-87	1018.17	120.08

The working of this GSA is constantly under review.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 12 (Paragraph No. 12.112)

The Government can also not be absolved of the blame in this matter. All the happenings could have been averted had the Government taken appropriate action on the recommendations of the Committee made in 1978-79 and reiterated in 1980-81. No independent probe was instituted by Government as repeatedly stressed by the Committee keeping in view the complaints received even before 1978-79 against the appointment of

Janata Travels as GSA in Northern India and against the person who controlled the business in UK and Northern India. No convincing explanation has been given by the Committee. The Committee hope that at least now Government will realise and take earnest action on the recommendations of this Committee.

Reply of the Government

It is the constant endeavour of the Government/Ministry to implement the recommendations of the Parliamentary Committees, to the extent possible. However, in relation to the appointment of agents and related commercial matters, it is Air-India who should decide on the appointment and termination of agents, on purely commercial considerations. Independent probes like the one suggested by the Committee are resented both by the airline and the agents; moreover, even the Government cannot have any great expertise to conduct independent probes and perforce has to enlist the assistance of the airline.

Government does take action, whenever grave irregularities are brought to its notice, either through news reports or complaints from responsible sources.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 13 (Paragraph No. 2.113)

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

Reply of the Government

Air-India has to follow the practices followed by other carriers in order to ensure its share of the market. The method suggested by the Committee will act as a disincentive to the GSA's whose moneys will be blocked for a considerable period of time. Therefore, it is regretted that the suggestion of the Committee cannot be accepted. However, in the light of the recent happenings, adequate safeguards have been devised to protect the interest of Air-India.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA, dt. 9 Dec. 1987]

Recommendation Sl. No. 16 (Paragraph No. 3.14)

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

Reply of the Government

The five most productive agents who had given the Corporation maximum business during May-August, 1986, when there were no G.S.As., were identified and asked, if interested, to apply for GSA appointment. As per IATA provisions (Resolution 876), no location of an IATA Agent shall be appointed as Passenger or Cargo General Sales Agent if the agent has an approved location within any country including in whole or part in the proposed territory of the GSA. All the five agencies were, therefore, advised by Air-India to form independent concerns for applying for GSA appointment. In the particular case of M/s. S. K. Travels, the company formed was M/s. Moleway Ltd. who owns M/s. S. K. Travels, and M/s. Gimvale Ltd. trading as Welcome Traders. Since M/s. S. K. Travels had produced the maximum business, the company formed by them namely, M/s. Gimvale Ltd. were appointed as GSAs of Air-India in London. In view of the above, it was not desirable to ask the owners to give up the IATA licence for M/s. S. K. Travels when they had formed a separate company for the GSA appointment.

As regards the Financial Link Clause, it may be stated that the IATA Resolution 876 which governs the financial relationship between the GSA and IATA agents and/or Cargo Agents, was removed from the Agency Resolution 876 effective October 1, 1980. It was reintroduced only for Area 2 and 3 comprising of Asia, Australia, Far East and South East Asia effective July 1, 1982. As U.K. falls in Area 1, the Financial Link Clause underwent a change effective October 1, 1980 as indicated above. A copy of the IATA Resolution 876 is enclosed. (Not appended in the report). The Financial Link as indicated therein has been incorporated and the variance in financial link clause is in accordance with the modified IATA requirements.

Air-India is required to function on commercial principles and must be permitted to do so if it has to survive in a highly competitive environment. Since the option to form independent concerns was given to the five most productive agents, there has been no discrimination.

[Ministry of Civil Aviation O.M. No. H-11013/3/37-AA, dt. 18th February 1988]

Recommendation Sl. No. 17 i, ii, iv and v (Paragraph No. 3.15 i, ii, iv and v)

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

- (i) Though, an irrevocable bank guarantee has been furnished by Gimvale Ltd., the Committee are at a loss to understand why no provision for bank guarantee or for raising it in future to match the productivity level was incorporated in the agreement entered into with the Gimvale Ltd. In the case of the HTS, provision for bank guarantee was incorporated in the supplementary agreement.
 - (ii) The bank guarantee provided by the Gimvale Ltd. was £ 1.2 million apparently with a reporting period of four weeks. The Committee note that the HTS had furnished £ 0.7 million as bank guarantee with the reporting period of 10 days. Going by this reckoning, the bank guarantee required to be furnished by Gimvale Ltd. would work out to be not less than £ 2.0 million if the reporting period is four weeks. The Committee would await an explanation in this regard.
- * * *
- (iv) The Committee note that the agreement with the Gimvale Ltd. is only for passenger sales. The Committee would like to be informed of the arrangements made in regard to cargo sales.
 - (v) The Committee would also like to be informed of the reasons for omitting the supplementary agreement.

Reply of the Government

- (i) Air-India has instructed its Regional Manager, UK to monitor the sales of the GSA and in the event of the sales exceeding the present guarantee, to take suitable action to increase the same. Normally, certain conditions including provision of Bank Guarantees, are settled through exchange of letters and negotiations and do not form part of the standard GSA agreement.
- (ii) *Furnishing of Bank Guarantee by M/s. Gimvale Ltd.* M/s. Hindustan Travel Service, ex-GSA of Air-India in UK, had furnished a Bank guarantee of UK £ 0.7 million with a reporting period of 15 days which means a credit period of 1 month. In the case of M/s., Gimvale Ltd., the reporting period is also 15 days and not four weeks as indicated in Committee's Report. M/s. Gimvale have furnished a Bank Guarantee of UK £ 1.2 million.
- (iv) Air-India covers cargo sales from its own network officers in U.K. and there is no GSA for cargo sales. The arrangements are working satisfactorily.
- (v) Supplementary Agreement is not included in every GSA agreement. In the case of appointment of M/s. Gimvale Ltd., supplementary clauses were either covered in the standard agreement or through exchange of letters at the time of appointment.

APPENDIX IV

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

Recommendation SI, No. 1 (Paragraph Nos. 1.32 & 1.33)

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

The Committee do not approve of excessive commission over and above the commission structure prescribed by IATA being paid to GSAs for offering discounts in the market on Air India's behalf. The Committee are distressed to find that the discounting practice introduced in the wake of fierce competition has opened floodgate of corruption malpractices and irregularities as dealt with in subsequent chapter of this Report. Such practices not only violate IATA agreements and results in lower yields to the Corporation but provide enough scope for unhealthy collusion of Air India officials with the GSAs who are then enabled to defraud the Corporation of huge sums in the form of commissions and other benefits for the agents and themselves. Admittedly, it is not certain whether the discount is really passed on to passengers in full or in part particularly during the peak seasons. Besides, such payments cannot be legitimately reported upon under any legitimate head of accounts. The Committee are perturbed to know that this practice has been going on with impunity and with the tacit approval of the Ministry. The Civil Aviation Secretary's attempt to justify such payments on commercial considerations is hardly convincing. The Committee desire that instead of Air India being forced to resort to such unethical practices the matter should be taken up with the Fair Deal monitoring Group of IATA for effective implementation of tariff integrity measures by various airlines and also to bring GSAs within the ambit of IATA regulations so as to prevent GSAs from being used as conduits for offering discounts by airlines. Simultaneously, the matter should be taken up with the concerned governments for enlisting their cooperation in the matter and if need be, the fare structure may be rationalised depending upon the market conditions resulting from inter-airline competition.

Reply of the Government

While Government appreciates the sentiments expressed by the Committee, it is a fact that the Airline Industry in general is afflicted with the malady of undercutting of fares and no voluntary agency or Government can take any effective action against such undercutting. The IATA machinery is also helpless in this regard since many of the carriers which resort to undercutting are non-IATA carriers. This has resulted in discounting practices adopted by carriers to retain their share of the market even though they may be honest in their approach.

[Ministry of Civil Aviation O.M. No. H-11013/3-87-AA dt. 9 Dec 1987]

Comments of the Committee

(Please see paragraph No. 7 of Chapter I of the Report)

Recommendation Sl. No. 6 (Paragraph No. 2.103)

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

Reply of the Government

As already pointed out by the Committee itself, the overpayment of incentive commission to the G.S.A., London has been examined by various committees. Further probe by the C.B.I. may not unearth any fresh facts. Considering the fact that the contract with the previous G.S.A., London has already been terminated and action against some of the officials who were involved has been taken to the extent possible as per the Air India Employees' Service Regulations, which has been detailed in other paras. C.B.I. enquiry into this episode, does not appear necessary at this late stage.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA dt. 9 Dec 1987].

Comments of the Committee

(Please see paragraph No. 13 of Chapter 7 of the Report)

Recommendation Sl. No. 7 (Paragraph No. 2.104)

Another disquieting feature that came to light during the Committee's examination was inadequacy in the service regulations of Air India Employees. There was reportedly no provision in the Air India Employees' Service Regulations to withhold permission for voluntary retirement of S/Shri S. S.

Kaul and H. M. Kaul even when vigilance enquiry was going on against them. The Committee have been informed that only new rules have been amended to rectify the deficiency. The Committee desire that a copy of the amendment made in the rules be furnished to the Committee. The Committee further recommend that the BPE should critically review the Service Regulations of Air India Employees with a view to identify any other similar shortcomings in the rules and ensure that there is no room for loopholes in future.

Reply of the Government

A copy of the notification amending the relevant provision of the Air India Employees' Service Regulations is enclosed in appendix II. Normally, it is the Air India Board which considers the various amendments to the service regulations which are later sent to the Government for approval. Before approval is conveyed, BPE is consulted and further amendments, if any, are made on the basis of the advice of the BPE. Wholesale revision of the Air India Employees' Service Regulations by the BPE may not serve any useful purpose and the power to examine whether any other regulation of Air India Employees' Service Regulations needs amendment should be left to the Management and the Board of Directors of Air India.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA dt. 9 Dec. 1987]

Comments of the Committee

(Please see paragraph Nos. 16 and 17 of Chapter I of the Report)

Recommendation Sl. No. 10 (Paragraph No. 2.110)

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

Reply of the Government

Further investigations of Air-India to trace the missing file and to pinpoint the responsibility for the loss, did not yield any result. Therefore, Air-India reconstructed the file, after obtaining copies of the correspondence. Hence, there appears to be no need for a further probe in the matter.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA dt. 9 Dec. 1987]

Comments of the Committee

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

Recommendation Sl. No. 17 [Paragraph No. 3.15(iii)]

The Committee note that inspite of the underisable experience with the HTS, no caution has been taken by Air-India to include a clause in the agreement relating to malpractices with a proviso or immediate termination on this ground. This should be done without delay.

Reply of the Government

To ensure that there are no reservations/malpractices, GSA has been held solely responsible under Article "9C" as well as Article "19" of the GSA Agreement to be responsible for any denied Boarding Charge (copy enclosed—Appendix-III). The notice period for termination of appointment has been reduced to 60 days as against six months for the earlier GSA. Moreover, article 17 of the agreement provides for termination forthwith in case the GSA defaults in observing or performing any of the provisions of the agreement.

{Ministry of Civil Aviation O.M. No. H-11013/3/87-AA dated 18 February, 1988}

Comments of the Committee

(Please see paragraph No. 31 of Chapter I of the Report)

CHAPTER V

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

Recommendation Sl. No. 2 (Paragraph No. 1.34)

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

Reply of the Government

In U.S.A., the market is completely deregulated which allows airlines to file whatever fare they wish to charge and pass the benefits on to the consumers directly. Such a situation does not exist in India and the neighbouring countries. As already mentioned in the reply to the earlier para, undercutting of fares is a general malaise of the Airline Industry as a whole and no single Government or Airline can control this. However, the recommendation of the Committee will be examined further.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA dt. Dec. 1987]

Recommendation Sl. No. 5 (Paragraph Nos. 2.100 to 2.102)

The CVSM of Air India had found after investigation that the overpayment made to HTS as on 26 June, 1983 was of the order of Rs. 98 lakhs. According to Air India this was due to the misunderstanding of the London Manager (Shri S. S. Kaul) in regard to the sanction of incentive commission made in October 1982 for the financial year 1982-83. The Committee are not at all convinced of this flimsy reason given for an incredibly huge overpayment made to a private party which went unchecked for nearly eight months. Attributing London strike by Air India's staff for the failure of the concerned Department in detecting the overpayment in time does not stand to reason. The Committee note that the strike had ended in August

1982 itself and the so-called discrepancy in sanction arose in October, 1982 while the overpayment reportedly came to the knowledge of Accounts Department only in May 1983. All this speaks volumes of lack of supervision and gross mismanagement at various levels and in various departments of Air India.

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

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

Reply of the Government

As the Committee has pointed out elsewhere in the report, many enquiry committees investigated the payment of incentive commission to the GSA of Air India in London. It has also been brought to the notice of the Committee during oral evidence that while on the basis of the events which have occurred, it may be possible to find fault with the events, during the

period when incentive commission was paid, the revenues of Air India improved from the UK market. It is also a fact, as mentioned in the reply to Para 2.99 that the period was a turbulent one for Air India and other carriers were trying to capture the market share of Air-India and the action of Air India, by and large was correct. As a result of the enquiries conducted, and also on the basis of the recommendations of the CVC, action to the extent possible has been taken against the officials, as indicated below :—

1. Departmental proceedings have been initiated against Shri F. E. **De Gama**;
2. Retirement benefits due to Shri S. S. Kaul have been withheld; and
3. Shri H. M. Kaul was divested of the post of Commercial Director and transferred as Director-Planning; from which post he voluntarily retired later. Legal opinion has been obtained on the question of initiating action against Shri H. M. Kaul.

Further progress in this regard will be communicated to the Committee.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA dt. Dec., 1987]

Comments of the Committee

(Please see paragraph No. 10 of Chapter-I of the Report)

Recommendation Sl. No. 28 (Paragraph Nos. 5.27 & 5.28)

The Committee also see no justification for issue of free air tickets to the writers and others contributing to the magazine on the recommendations of the Asia Publishing House particularly when the firm seems to be earning sufficient revenue from advertisement procured on the assistance of Air India. This should stop forthwith. The Committee also feel that even otherwise the five year contract and requirement of one year's termination notice thereafter represent an unduly long period which needed to be brought down to a reasonable level.

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

Reply of the Government

The recommendations of the Committee will be forwarded to the BPE for further action. The views of the Committee regarding issue of free air tickets has been noted. However, so far as the present contract with M/s. Asia Publishing House is concerned, the contract expires in December,

1988 and till then the present arrangement of issuing free tickets has to continue as a part of the agreement. As mentioned in reply to the recommendation earlier (Para 5.26), premature termination of the contract is likely to lead to litigation.

[Ministry of Civil Aviation O.M. No. H-11013/3/87-AA dt. 9 Dec., 1987]

Comments of the Committee

(Please see paragraph No. 34 of chapter I of the Report)

NEW DELHI;

18 April, 1988

29 Chaitra, 1910 (Saka)

VAKKOM PURUSHOTHAMAN

*Chairman,
Committee on Public Undertakings*

APPENDIX I

*Minutes of the 33rd sitting of the Committee on Public Undertakings held
on 30-3-1988*

The Committee sat from 15.30 hrs. to 16.00 hrs.

PRESENT

Shri Vakkom Purushothaman—*Chairman*

MEMBERS

2. Shri K. P. Singh Deo
3. Shri Dinesh Goswami
4. Smt. Prabhawati Gupta
5. Shri Harish Rawat
6. Shri Lal Vijay Pratap Singh
7. Prof. Saif-ud-din Soz
8. Shri Jagesh Desai
9. Shri Chimanbhai Mehta

SECRETARIAT

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

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Shri C. P. Mittal—*Chairman, Audit Board*
2. Shri D. N. Anand—*Secretary, Audit Board*

The Committee considered and adopted the following draft Action Taken Reports as approved by the Action Taken Sub-Committee :

- (i) Draft Report on Action Taken by Government on the recommendations contained in 24th Report of Committee on Public Undertakings (1986-87) on Air India—Agency System and Passenger Services;

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

The Committee then adjourned.

APPENDIX II

Copy of the notification published in the Gazette of India (Part III, Section 4) dated 14th November, 1987 appended vide reply to recommendation at Sl. No. 7 (para 2.104) of Chapter IV.

AIR INDIA

AIR-INDIA EMPLOYEES' SERVICE REGULATIONS

HQ/65-1.—In exercise of the powers conferred by Section 45, read with sub-section (2) of Section 8 of the Air Corporation Act, 1953 (27 of 1953), Air-India, with the previous approval of the Central Government, hereby makes the following Regulations further to amend the Air-India Employees' Service Regulations, namely :—

1. (1) These Regulations shall be called the Air-India Employees' Service (Amendment) Regulations, 1987.
2. (2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Air-India Employees' Service Regulations, for regulation 46 (ii), the following regulations shall be substituted :

46. (ii) The Managing Director may require an employee to retire after he attains the age of 55 years on giving three months' notice in writing without assigning any reason. An employee may also, on giving three months' notice in writing, retire voluntarily after attaining the age of 55 years or, subject to approval in writing of the Managing Director, at any time on completion of a continuous service of not less than 25 years.

Provided that the Managing Director, in writing, may direct that the employee who has given three months' notice in writing shall not cease to be in the employment of the Corporation and the notice given shall be kept in abeyance under the following circumstances :—

- (a) any disciplinary action is pending against the employee or any disciplinary proceedings are proposed to be taken against the employee by the appropriate authority; or

- (b) any proceedings are pending or likely to be initiated against him for any offence involving moral turpitude or any action has been brought against the employee by the Customs Authorities under the Foreign Exchange Regulation Act, 1973 or the rules made thereunder.

NOTE : For the purpose of this Regulation the term 'continuous service' shall include uninterrupted service rendered before joining the Corporation under Central Government, State Government, Defence Service, Public Sector Undertakings, owned or Controlled by Government, autonomous organisations and other Governmental agencies, provided that there is no break between the date of leaving the service in the above-mentioned organisations and the date of joining the service in the Corporation. For the purpose of this Regulation, if the intervening period between cessation of service under Government and other agencies mentioned above, and the date of joining the service in the Corporation does not exceed the normal joining time admissible under the Central Government rules on transfer to join the duties of a new post, such intervening period shall not be treated as 'break'.

In the said regulations after regulation 46 (iii) the following regulation shall be added :—

46. (iv) The entitlement of retirement benefits to an Air-India employee, under the Air India Employees' Service Regulations, Air India Employees Passage Regulations or any other regulations or/and rules, administrative orders in force from time to time, shall be determined on the outcome of the proceedings initiated under the proviso to Regulation 46(ii), if any.

note : Principal Regulation published vide Notification dated 19-10-1963. Gazette of India 1963, Part III, Section IV, page 637, Subsequently amended by

(a) Notification No. GM/65-1 dated 29-11-1975 Gazette of India No. 48, Part III, Section IV, page 2069.

(b) Notification No. 100-53 (C) dated 20-2-1982 Gazette of India No. 8, Part-III, Section IV, page 711.

S. NARAYANSWAMY
Secretary

APPENDIX III

Article "9C" and "19" of the GSA Agreement signed between Air India and Gimvale Ltd. trading as Welcome Travels on 13th October, 1986—Appended vide reply to recommendation at Sl. No. 17 iii (para 3.15 iii) of Chapter-IV.

- 9(c) The General Sales Agent shall request reservations only in accordance with the applicable tariffs and other instructions provided from time to time by the Principal and only when the General Sales Agent has received a request to do so from a client, and if so required by the Principal, only when a deposit therefor in a proper amount has been paid to the General Sales Agent by the client. The General Sales Agent shall secure confirmation from the Principal that a definite reservation has been made before issuance to the client of a document for any particular flight(s); except that unless otherwise instructed by the Principal an Exchange Voucher/ Order may be issued to a client covering 'open date' transportation, or a ticket may be so issued which includes an 'Open date' portion or portions for which no accommodation has been reserved at the time of issuance to the client provided such forms are properly marked to indicate 'open date' issuance in accordance with the current instructions of the Carrier. If any document is issued by the GSA for a particular flight/flights and if such reservation/s has/have not been actually effected in the reservation system of the Principal, any Denied Boarding Compensation (DBC) which may become payable to the Passenger/s shall be the sole responsibility of the GSA.

19. Indemnity

- (a) Subject to the application of the principles as to the contributory negligence the Principal hereby agrees to indemnify and hold harmless the General Sales Agent, its offices, agents, employees and servants from all responsibility and liability for any

injury, damage, expense or loss sustained by any person or property caused by or arising from any negligent act, omission or wilful misconduct of the Principal, its officers, agents*, employees and servants, and related directly or indirectly to any transportation sold by the General Sales Agent pursuant to this Agreement.

- (b) The General Sales Agent shall obey and observe all directions and instructions given to it by the Principal relating to the sale of air transportation and the General Sales Agent agrees to indemnify and hold harmless the Principal, its officers, agents, employees and servants, from all responsibility and liability for any injury, damage, expense, fines or loss to any person or property caused by or arising from any violation of this Agreement or negligent act, omission, wilful misconduct or misrepresentation of the General Sales Agent, its officers, agents, employees and servants.
- (c) Further, the General Sales Agent agrees to indemnify and hold harmless the Principal, its officers, agents, employees and servants from any damage, expense or loss incurred for any reason whatsoever in connection with tickets, exchange vouchers/orders or other documents or materials furnished by the Principal to the General Sales Agent or any documents issued by the General Sales Agent on the authority of the Principal, or proceeds thereof, whether or not such proceeds have been deposited in a Bank, and whether or not such a loss is occasioned by the default or insolvency of either a purchaser of such forms or documents or of a Bank in which the General Sales Agent may have deposited such proceeds and notwithstanding the fact that under the terms of this Agreement such proceeds are the property of the Principal and held in trust by the General Sales Agent.
- (d) The General Sales Agent will be solely responsible for the due payment to the Principal of monies in respect of the sales of Passenger and transportation in the territory, whether sold by the General Sales

* (excluding GSA).

Agent or Agents appointed by him in the territory irrespective of whether the General Sales Agent or the Agent appointed by him has realised the fares or rates from the passenger or

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

APPENDIX IV

(Vide Para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 24th Report of the Committee on Public Undertaking (Eighth Lok Sabha) on Air India—Agency System and Passenger Services.

I. Total number of recommendations	28
II. Recommendations that have been accepted by the Government (Vide recommendations at Sl. Nos. 4, 8, 9, 11, 14, 15 and 18 to 27.)	16
Percentage to total	57%
III. Recommendations which the Committee do not desire to pursue in view of Government's replies [Vide recommendations at Sl. Nos. 3, 12, 13, 16 and 17(i), (ii), (iv) and (v)]	5
Percentage to total	18%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee [Vide recommendations at Sl. Nos 1,6,7, 10 and 17 (iii)]	4
Percentage to total	14%
V. Recommendations in respect of which final replies of Government are still awaited (Vide recommendations at Sl. Nos. 2,5, and 28)	3
Percentage to total	11%

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BIHAR		WEST BENGAL	
2.	M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar)	13.	M/s. Manimala, Buys & Sells 123, Bow Bazar Street, Calcutta-1.
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8.	M/s. Usha Book Depot, 'Law Book Sellers and Publishers' Agents Govt. Publications, 585, Chira Bazar Khan House, Bombay- 400002.	21.	M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi-110001. (T. No. 344448, 322705, 344478 & 344508).
9.	M&J Services, Publishers, Repre- sentative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele Road, Nalgaum-Dadar, Bombay-400014.	22.	M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi.
10.	Subscribers Subscription Services India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400001.	23.	M/s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052. (T. No. 269631 & 714465).
TAMIL NADU		24.	M/s. Sangam Book Depot, 4378/4B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi-110002.
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