

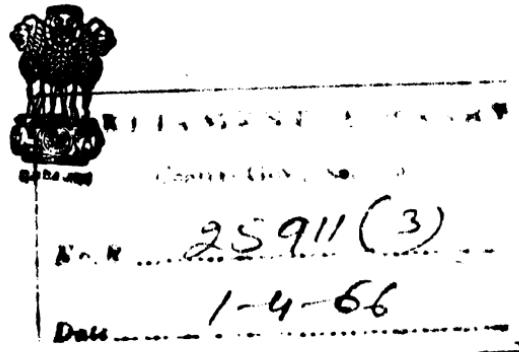
COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

TWENTY-THIRD REPORT

INDIAN AIRLINES CORPORATION
NEW DELHI

MINISTRY OF TRANSPORT AND AVIATION
(DEPARTMENT OF AVIATION)



LOK SABHA SECRETARIAT
NEW DELHI

March, 1966
Phalgun, 1887 (Saka)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(THIRD LOK SABHA)

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Pandit D. N. Tiwary*

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SECRETARIAT

Shri A. L. Rai— Deputy Secretary.

*Appointed as Chairman w.e.f. 24th January, 1966 vice Shri Panumpilli Govinda Menon ceased to be a member of the Committee on his appointment as Minister.

**Elected w.e.f. 23rd February, 1966 in the vacancies caused by appointment of Shri P. Govinda Menon as Minister and resignation of Shri Harish Chandra Mathur.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Twenty-third Report on Indian Airlines Corporation.

2. This Report is based on the examination of the working of Indian Airlines Corporation up to the year ending 31st March, 1965. The Committee took the evidence of the representatives of Indian Airlines Corporation on the 22nd and 25th January 1966 and of the representatives of the Ministry of Transport and Aviation on the 25th January, 1966. The Report was adopted by the Committee on the 23rd March, 1966.

3. The Committee wish to express their thanks to the officers of the Ministry of Transport and Aviation and Indian Airlines Corporation for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organisations/individuals who, on request from the Committee, furnished their views on the working of Indian Airlines Corporation.

4. The Committee also place on record their appreciation of the assistance rendered to them in connection with the examination of audit paras pertaining to Indian Airlines Corporation by the Comptroller and Auditor General of India.

D. N. TIWARY,

March 29, 1966.

Chairman,

Chaitra 8, 1888 (S).

Committee on Public Undertakings.

INTRODUCTORY

A. Brief History leading to the setting up of the Corporation

After the end of the World War II, there was rapid expansion of Civil Aviation industry in India. While there was a concurrent growth in the amount of traffic carried by the Air Transport Companies the air industry did not find stability. The Government of India, therefore, appointed a committee, known as the Air Transport Inquiry Committee, on 8th February, 1950 to enquire into, report upon and to make recommendations regarding the following matters:—

- (a) the present state of the air transport industry in India in regard to both internal and external services;
- (b) the short-comings, if any, in the organisation and management of the industry as a whole or in regard to any individual company or companies;
- (c) the major difficulties and defects in the industry as at present constituted;
- (d) the manner in which Indian Air Services, internal and external, could best be operated with the maximum economy, having due regard to all relevant factors, including passengers fares and freight and mail rates during the 5 years, 1950—54, providing also for adequate development of the air services and, for such purpose;
 - (1) the reasonable needs of the industry of assistance from the State and the manner and extent of such assistance and cost thereof to the State;
 - (2) regulation of the industry and control over its management by the State;
 - (3) any necessary re-organisation of the industry.
- (e) the desirability, practicability and economic consequence of the operation of the said air services under State ownership and management, either direct or through a body corporate, and the cost of acquisition of such ownership.

2. The Committee on *a priori* consideration, was of the view that there was a good case for air transport services being owned and operated by the State. The Committee, however, advised that the following factors should be considered before nationalisation was decided upon:

- (a) Civil air transport being a highly technical industry of a very specialised nature required on the part of the management maximum initiative and technical efficiency to keep pace with developments; exceptional readiness to take financial risks in replacing equipment and constant personal attention on the part of all staff dealing with the customer and an endeavour to please and serve him.
- (b) the air transport industry must continue for sometime to be a luxury service of advantage principally to the fairly well-to-do strata of the community. When Government finances are stringent there is considerable danger of the requirements of the industry being ignored when those requirements come into conflict with the requirements of other developmental schemes affecting the vital needs of the common man.
- (c) it is doubtful whether there will be a sufficient number of persons available to Government combining both business and administrative experience for a big state enterprise like this.
- (d) from the Industrial Policy Resolution of 1948 and the issue of 10 years Licences to the operating companies in July, 1949, it appears that as a matter of deliberate policy it has been the constant view of Government that the development of air transport should be left to private enterprise. The sudden reversal of this policy may undermine the confidence of the industry in the assurance of Government and may have unfortunate repercussions on the development and expansion of other industries also.

3. The Committee felt that an ideal pattern would be to have only four operators with bases at Bombay, Delhi, Calcutta and Hyderabad.

B. Nationalisation of Air Transport Industry

4. The Committee's report was examined by the Government. The Government's view was that modernising of the fleet of the airlines was an essential requirement and that the private operators would not have the means to acquire modern aircraft. The air transport companies had been given subsidies by the Government of India in

the shape of rebate on fuel uplifted—subsidies of about Rs. 50 lakhs per year—but in spite of it the industry had not been able to find a stable footing. The Government, therefore, decided that the air transport industry should be nationalised. A bill to nationalise the industry was passed by Parliament and received the assent of the President on the 28th May, 1953. The Indian Airlines Corporation came into formal existence on the 15th June, 1953 under the Air Corporations Act, 1953 and took over with effect from the 1st August 1953, the undertakings of the following eight air transport companies, which were, till then, operating scheduled internal air services:—

- (i) Air India Ltd;
- (ii) Air Services of India Ltd.;
- (iii) Airways (India) Ltd.;
- (iv) Bharat Airways Ltd.;
- (v) Deccan Airways Ltd.;
- (vi) Himalayan Aviation Ltd.;
- (vii) Indian National Airways Ltd.; and
- (viii) Kalinga Airlines.

5. The Act also provided for the constitution of Air India International. It took over the undertaking of the Air India International Ltd. with effect from the same date, viz. the 1st August, 1963. Its function was to operate long distance international services.

C. Examination by the Estimates Committee

6. The working of the Indian Airlines Corporation was examined by the Estimates Committee in 1956-57 and their recommendations/observations are contained in their Forty-third Report (First Lok Sabha). The replies furnished by Government indicating the action taken by them on the aforesaid report were considered by the Estimates Committee in 1958-59 and a further Report (62nd Report, Second Lok Sabha) was submitted to the House. The recommendations made by the Committee in these reports and action taken by Government, as are relevant to the present examination of Indian Airlines Corporation, have been referred to at appropriate places in this report.

D. Objects and functions

7. Under Section 7 of the Air Corporations Act, 1953, the Corporation is to provide safe, efficient, adequate, economic and properly co-ordinated air transport services and the Corporation has to so exercise its power as to

secure that air transport services are developed to the best advantage and the services are provided at reasonable charges.

E. Corporation to act on business principles

8. Under Section 9 of the Act, in carrying out its functions, the Corporation is required to act so far as may be on business principles.

II

ROUTES

A. Route-wise financial results

9. In order to judge the route-wise financial results of the Corporation the different routes have been classified into the following main groups:—

		No. of routes operated during 1964-65
Group I	Routes on which revenue is more than the total operating cost	21
Group II	Routes on which revenue meets the direct operating cost, but falls short of total operating cost.	32
Group III	Routes on which revenue meets only the variable direct operating cost, but falls short of total direct operating cost.	1
Group IV	Routes on which the revenue falls short of even the variable direct operating cost.	23

B. Unremunerative Routes

10. It would be seen from the above that out of 77 routes operated by the Corporation during the year 1964-65, 23 routes proved so uneconomic that the revenue did not cover even the direct variable cost of operation, resulting in a loss of Rs. 130 lakhs. It was stated during evidence that certain unremunerative routes had to be operated on public and social considerations and on account of difficulty in communication by rail or road. It was felt that modernisation of fleet and operation of suitable smaller aircraft would undoubtedly reduce the number of uneconomic routes, but elimination of uneconomic routes altogether was not possible.

C. Routes for which subsidy is claimed from the State Governments

11. The particulars of un-remunerative air services operated by the Corporation under short-fall guarantee arrangements with State Governments and the subsidy

received from them during 1963-64 and 1964-65 are given below:—

State Government	Sector	Subsidy claimed	
		1963-64 (Rs. lakhs)	1964-65
1. Punjab	Delhi/Chandigarh/Kulu	1.45	1.59
2. Andhra Pradesh	Hyderabad/Vijayawada/Vizagapatnam.	2.52	2.27
3. Mysore	Belgaum/Goa/Mangalore/Bangalore.	No Service	9.65
4. Orissa	Calcutta/Bhubaneshwar	2.59	2.13
5. Maharashtra	Aurangabad/Nagpur		1.89

12. The following services were operated by the Corporation till 1962-63 on the basis of short-fall guarantee arrangement with the State Governments, but were discontinued thereafter.

		Subsidy received by I.A.C.	
		(Rs. lakhs)	1961-62 1962-63
1.	Delhi/Jaipur/Jodhpur Udaipur/Ahmedabad	8.79	5.25
2.	Delhi/Phoolbagh	0.63	1.25
3.	Bangalore/Mangalore	2.78	5.98

13. During evidence, the General Manager stated that the services were withdrawn because the State Governments concerned did not agree to subsidise the routes.

14. The Committee also discussed the question of operating them on a self-financing basis. Unpopularity of these routes could be ascribed to the fact that their timings of arrival and departure were inconvenient and the passengers found it more convenient to travel by other means of transport. This particularly applied to Jaipur/Jodhpur Sector. The General Manager stated that this was due to non-availability of adequate number of aircraft. Another reason for losses on these routes was that some of them were operated with a Dakota aircraft. For example, in the Phoolbagh sector, the load factor was good-about 15 to 16 passengers per

trip. But for a Dakota, even with 21 passengers as full load, the operation was not paying.

15. Civil Aviation being a Central subject, it is the responsibility of the Central Government and the Corporation to develop aviation in the country. As stated earlier, the losses on some of the subsidised routes are due to the fact that the number as well as the type of aircraft required for profitable operation of the routes are not available with the Corporation. If a route does not pay because the Corporation cannot put the right type of aircraft or provide convenient timings, the Corporation would not be justified in claiming subsidy from the State Governments. However, if a route is not remunerative because of poor traffic the State Government still wants to develop the route for its own purpose, the Corporation should be entitled to a subsidy from that State Government. The Corporation should also so equip itself as to be able to provide the aircraft suitable to the demand of a State.

D. Route for which subsidy is claimed from Central Government

16. In respect of the once weekly Calcutta/Port Blair Service, the Central Government has been paying a subsidy and the Ministry of Home Affairs are committed to meet the short-fall upto Rs. 3 lakhs per seasonal operation. The subsidy claimed by the Corporation during the last three years was as follows:—

	(Rs. lakhs)
1961-62	2.06
1962-63	1.78
1963-64	2.39

17. During evidence it was stated that the Corporation was employing Dakotas on this service and that was why it was a losing proposition. Also, the number of passengers had gone down during 1964-65, as compared to the earlier year. The General Manager was of the view that there was no prospect of operating this service on a self-financing basis.

18. At present this service passes through Rangoon because refueling has to be done for the Dakota. The General Manager stated that if a Skymaster was introduced on this route, it might be possible to operate a direct service from Calcutta to Port Blair. In reply to a query, the Committee were informed that a service from Madras to Port Blair would mean flying over the sea where there were no facilities for communication and flight conditions were not considered safe enough. It was considered that a service from

Calcutta to Port Blair via Rangoon would be safer because land was available in case of emergency.

Reasons for decline in traffic to be investigated.

19. The loss on the operation of Calcutta-Port Blair service should not be taken for granted. The Andaman and Nicobar Islands are in a developing stage and it is reasonable to expect air traffic to grow every year. Therefore, the reasons for the decline in traffic in 1963-64 over the previous year should be investigated. Steps should be taken to better the performance on this route and make it economical as the demand grows. The possibility of operating a direct service from Calcutta to Port Blair should also be examined.

E. Civil Aviation Development Fund

(i) Aims & Objects of the Fund

20. Government have constituted a Civil Aviation Development Fund with effect from the 1st April, 1964, with an initial grant of Rs. 1 crore to finance the following:—

- (a) Subvention to IAC for operation of uneconomic routes not otherwise justified on commercial considerations but necessary to meet regional requirements or promotion of tourism.
- (b) Subvention to IAC for purchase of aircraft manufactured in India to replace or supplement the existing fleet.
- (c) Construction of airstrips and provision of ancillary facilities for the operation of services mentioned in (a) above.

(ii) Constitution of Committee

21. The Fund is administered by a Civil Aviation Development Fund Committee consisting of the following:—

1. Secretary, Ministry of Civil Aviation—*Chairman*
2. Financial Adviser to Ministry of Civil Aviation—*Member*
3. Director General of Civil Aviation—*Member*
4. Director General of Tourism—*Member*.
5. Joint Secretary dealing with the Air Corporations in the Ministry of Civil Aviation—*Member*.

(iii) Services approved for Subvention out of CADF

22. The following services/sectors have been approved for payment of subvention out of the CADF:—

1. Delhi-Banna
2. Agra-Jaipur (Split sector)
2. Agra-Jaipur (Split sector) *
4. Bhubaneshwar/Vijayawada/Madras (Split sector)
5. Lucknow/Bhopal/Nagpur (Split sector)
6. Bombay/Baroda/Ahmedabad
7. Amritsar/Srinagar.

(iv) Services asked for subvention

23. Subvention in respect of the following routes has been asked for:—

1. Madras/Trichy/Madurai/Trivandrum.
2. Bombay/Bhavnagar.
3. Bombay/Rajkot/Jamnagar/Kandla.
4. Bombay/Mangalore.
5. Bombay/Cochin.
6. Calcutta/Agartala/Gauhati.
7. Calcutta/Kathmandu.
8. Kathmandu/Banaras.
9. Calcutta/Agartala/Silchar/Imphal.
10. Delhi/Banaras/Calcutta.
11. Delhi/Lucknow/Allahabad/Banaras/Patna/Calcutta.
12. Delhi/Banaras/Kathmandu.
13. Bombay/Kashod/Porbandar.
14. Bombay/Poona.
15. Calcutta/Gauhati/Tezpur/Jorhat/Lilabari/Mohanbari.
16. Calcutta/Agartala/Khowai/Kamalpur/Kailashahar.
17. Calcutta/Agartala/Silchar.

*Split Sector means the sector of a full route for which subsidy has been agreed to.

18. Delhi/Kanpur/Lucknow/Gorakhpur/Banaras.
19. Delhi/Chandigarh/Amritsar/Jammu/Srinagar.
20. Delhi/Agra/Jaipur/Udaipur/Ahmedabad.
21. Delhi/Poolbagh.

24. The Civil Aviation Development Fund has been constituted out of the excise duty paid by the Corporation on aviation fuel. The entire duty paid is of the order of Rs. 3 crores every year. The Corporation had applied for payment of subvention from the Fund to cover losses in respect of several routes, but the Government in the first instance, granted subvention only for three services, namely, Delhi/Panna, Agra/Jaipur, Bombay/Aurangabad. In respect of these services, the corporation has preferred claims for about Rs. 11.87 lakhs. Subsequently more routes, as mentioned earlier, have been approved and the Corporation would be submitting claims for them also.

(v) Criteria for grant of subvention out of CADF

25. During evidence, the Secretary to the Ministry stated that the criteria for assistance from the Civil Aviation Development Fund was broadly as follows:—

- (i) No route which had broken even during the previous 3 years would be eligible for consideration of payment of subvention even though it might be a tourist route.
- (ii) The other routes which had met with their direct operating costs would be treated as developmental routes which the Corporation should try to foster. These would also be not eligible for consideration for grant of a subvention.
- (iii) Routes at present being operated under subsidy arrangements with the tourist department of the Central Government, would be eligible for grant of subvention.
- (iv) New routes which were considered necessary in the interest of tourists promotion or to meet the regional requirements of a particular area or for other consideration which might not justify the issue of a directive under section 34 of Air Corporations Act, 1953, would qualify for consideration for payment of subvention. In actual practice the Government had, however, been restrictive. They had accepted tourists routes like Delhi-Panna, Agra-Jaipur, and Bombay-Aurangabad and Indore-Bhopal a regional sector. Amritsar-Pathankot-Srinagar had been accepted for subvention because of peculiar difficulties of

terrain. In the case of other proposals received from the Corporation Government had taken a stand that subvention should be limited only to those cases where there was either the promotional aspect which could not be met from the Funds of the Corporation or the tourists aspect.

26. It is seen that out of 77 services operated by the Corporation, five are subsidised by the State Governments and one by the Central Government. Seven services have been approved for payment of subvention from the Civil Aviation Development Fund and for another 21 services the Corporation has asked subvention from the Fund. If these are to be sanctioned, there will in all be 33 services* operated by the Corporation on subsidised basis.

27. In this connection the Committee desired to know the circumstances which necessitate grant of subventions. The Corporation has stated that the Dakota operations in foreign countries are profitable because of the low costs of fuel as well as of spare parts. In India the fuel cost is more because of the excise duty and sales tax which are added to the cost. These factors are partly responsible for the losses on Dakota operations. The Committee, however, understand that the few private airlines who operate Dakota Services in the country and who have also to pay excise duty on fuel are making profit. To this the Corporation's reply has been that the wage costs, overheads and the facilities offered by private operators are less than those provided by the Corporation.

28. The Committee consider that all the principles governing the payment of subvention from the Civil Aviation Development Fund should be clearly defined so that they leave no room for ambiguity. Basically the Corporation's route pattern and fare structure should be so adjusted as to enable it to make profits even if excise duty on fuel is heavy. Presently the Corporation is losing heavily on its Dakota operations. It follows that as and when the Dakotas are replaced by new types of aircraft, the Corporation should be able to operate most of its other services in a self financing way and thus obviate the necessity of subventions. The Committee would not like a large number of routes to be subsidised as it gives an impression that the Corporation is leaning heavily on subsidies. Subsidies also curb initiative. They blur the financial results indicated in the Balance Sheet and Annual Accounts. Therefore the Corporation should aim at developing routes without resorting to subvention. The Government should examine as to how the private operators with their limited resources make good profits on their Dakota operations whereas a nationalised Corporation like the I.A.C. cannot.

One of the services is common between the list of routes subsidised by the States and those subsidised from the Civil Aviation Development Fund.

Principles for
subvention out
of CADF
to be
defined.

F. Night Air Mail Services

29. The Night Air Mail Services on the cross routes Bombay-Nagpur-Calcutta and Delhi-Nagpur-Madras were started in 1950. The table below gives the operating results of these services during the last three years:—

	1962-63	1963-64	1964-65
(i) Operating Revenue (Rs. in lakhs)	157.09	169.27	142.53
(ii) Operating Expenditure (Rs. in lakhs)	184.75	184.72	172.79
(iii) Operating Profit/Loss (Rs. in lakhs)	(—)27.66	(—)15.45	(—)30.26
(iv) Load Factor	61.5%	70.9%	66.9%
(v) <i>Traffic carried :</i> Passengers	44,870	33,584	30,301
Mail (in tonnes)	1,803	2,213	2,026
Cargo (in tonnes)	1,507	1,315	1,045
(vi) Type of aircraft used	Viscount/ Skymaster	Viscount/ Skymaster	Viscount/ Skymaster/ Dakota

30. Since August, 1965, passengers are not carried on the Night Air Mail Services. The circumstances leading to non-carriage of passengers are mentioned below:—

1. A decision was taken by the Management early in 1955 to withdraw Dakotas from the Night Air Mail Services on the basis of tests carried out to assess the performance of the aircraft. The tests were carried out at the instance of the Court of Enquiry which enquired into certain accidents to Dakota aircraft. The tests showed that exclusive night operation of Dakota was not without certain hazards and as such it was not considered advisable to carry passengers. Skymaster aircraft were, therefore, introduced on the Night Air Mail Service with effect from November, 1955.
- (2) In 1962-63 the loss of two Skymaster aircraft in non-fatal accidents reduced the Skymaster fleet to three. As a result, with effect from October, 1962, Viscounts were introduced on the Madras-Nagpur-Delhi sector while the Calcutta-Nagpur-Bombay sector continued to be operated with Skymaster aircraft. Since the Viscounts have limited cargo capacity, the Corporation had to operate Dakotas in parallel with the Viscount flights to carry the mail and cargo.

(3) The Corporation had to introduce flight time/duty time limitations for pilots with effect from the 1st April, 1965. This created a shortage of pilots and the Corporation had to recruit a number of pilots with a certain minimum flying experience on an urgent basis. Most of these pilots had to acquire night flying experience on Dakotas to qualify for command endorsement on transport aircraft. For this purpose, Dakotas had to be operated at night and this could be done only if they were introduced on the Night Air Mail Service. In these circumstances the Corporation decided to use only Dakotas on the Night Air Mail Service with effect from August, 1965. As passengers could not be carried on Dakotas at night the carriage of passengers on the Night Air Mail Service was discontinued.

31. When asked as to why Dakotas were used inspite of their unremunerative operations, the General Manager stated that there was no choice in the matter. The future possibility was that as soon as AVROs become available these would replace the Dakotas in the Night Air Services and it would be possible to carry passengers and cargo. The Committee desired to know why the facility of the Night Air Mail Services was confined to four cities only. It appeared that neither the Posts and Telegraphs Departments had made any request to extend these services to other cities nor had the matter been examined by the Corporation. The question of including Hyderabad on the route was examined but the proposal was dropped because there were delays in the operation of the Night Air Mail Service and the extension to Hyderabad would add to these delays.

32. The Committee regret to note that the Night Air Mail Liaison Services operated at a heavy loss of Rs. 30.26 lakhs in 1964-65. Apart from Dakotas, Viscounts and Skymasters were also P & T employed on the Night Air Mail Service. The load factor achieved was 61.5 per cent, 70.9 per cent and 66.9 per cent extension respectively during the last three years. The Committee of NAMS are not fully convinced that the losses were inevitable. to other cities.

33. There have been complaints of lack of cooperation between the Corporation and the postal authorities. Mails have not been accepted on the plea of receipt at the last minute. If these complaints are true, it is not surprising that the load factor on the Night Air Mail Services has not been higher. A proper liaison should be maintained with the Postal authorities with a view to operate these services with a higher load factor and bring in more revenue. When

the present Night Air Mail Services start showing profits, the question of extending them to other cities should be examined in consultation with the Postal Department.

G. Services with adjacent Countries

34. The operation of the following services with adjacent countries has shown losses as indicated below:—

	(Deficit in Rs. lakhs)		
	1962-63	1963-64	1964-65
Bombay-Karachi(Viscount) . . .	(—)1.18	(—)3.93	(—)3.51
Calcutta-Dacca (Friendship) . . .	(—)0.75	(—)0.56	(—)1.07
Delhi-Karachi (Viscount) . . .	(—)2.54	(—)4.41	(—)4.31
Delhi-Lahore (Friendship/Dakota)	(—)1.75	(—)2.72	(—)3.85
Delhi-Kabul (Viscount/Dakota)	(—)6.68	(—)0.87	(—)0.74
Calcutta-Rangoon (Viscount) . . .	(—)9.93	(—)5.37	(—)4.64

35. The Committee were informed that on some of these routes there were international services which offered greater facilities for sale of certain bounded items free of duty. The Corporation was not giving such facilities and this was one of the reasons why passengers were attracted to go by other airlines.

36. It was also stated that the Corporation had proposed the discontinuance of the Delhi-Karachi Service in February, 1965. This was, however, considered to be inopportune time to discontinue it and in the public interest the service was continued. The service to Rangoon was seriously affected due to restrictions placed by the Burmese Government and the requirement that the bookings should be made through the Union of Burma Airways.

37. As regards reimbursement of losses to the Corporation, it was stated that the Civil Aviation Development Fund was created with the excise duty on fuel and since on international services the Corporation was not paying any duty on fuel, these services were not eligible for subsidy from the Fund. The General Manager stated that the Corporation would like to discontinue some of the services.

Introduction of better type of aircraft suggested.

38. The Corporation should explore the possibility of operating its services profitably by using an economic type of aircraft, arranging proper timing and frequency and resorting to greater sales promotion activities. The Government should also allow the Corporation on these routes the

facilities that other international airlines enjoy. If the financial results do not improve even then the Corporation should discontinue these services unless otherwise directed by Government under Section 34 of the Air Corporations Act, 1953.

H. Traffic Surveys

39. The Corporation has not carried out any organised traffic survey so far to find out the traffic potential of any particular area, except that an attempt was made some time back to utilise the services of the National Council of Applied Economic Research for assessing the traffic potential in Southern region and Saurashtra. During evidence the General Manager stated that it had not been possible within the resources available to set up an elaborate traffic survey organisation. The setting up of a Sales Contract Organisation was mooted but not much progress could be made in view of limited capacity and for want of trained staff. *Ad hoc* studies were, however, carried out from time to time and new routes were opened on the suggestions made by the Central Advisory Committee of the Corporation, Travel Agents Associations, Chambers of Commerce etc.

40. It is regrettable that the Corporation even after 13 years of existence has not set up any Organisation to conduct traffic surveys to judge the traffic potential of different areas of the country. The Corporation should establish a system of market research and sales promotion to achieve better results.

Setting up an organisation for Markets Surveys.

I. Entry of Private Sector in Air Transport Industry

41. Air Transport has been included in Schedule 'A' in the Industrial Policy Resolution, 1956. It provides as follows:—

"In the first category (Schedule 'A') will be industries the future development of which will be the exclusive responsibility of the State. All new units in these industries, save where their establishment in the private sector has already been approved, will be set up only by the State. This does not preclude the expansion of the existing privately owned units, or the possibility of the State securing the co-operation of private enterprise in the establishment of new units when the national interests so require. Railways and air transport, arms and ammunition and atomic energy will, however, be developed as Central monopolies".

42. In March, 1962, a Bill to amend the Air Corporations Act, 1953 was passed by Parliament empowering the

Government to give permission to private operators to run scheduled air transport services on routes where the I.A.C. and Air India were not operating. The Statement of Objects and Reasons for the amendment stated:—

“Section 18 of the Act confers upon the two Corporations monopoly for operating scheduled transport services. On certain routes, however, neither of the two Corporations is in a position to provide a scheduled air transport service. It has, therefore, become necessary in the public interest to grant permission to private operators to operate scheduled services on those routes for a limited period. Section 18 is being amended to confer such power upon the Central Government”.

43. During the debate on the Bill in Lok Sabha on the 29th March, some Members raised the point that the amendment was against the spirit of the Industrial Policy Resolution. In reply, the Deputy Minister of Civil Aviation observed:—

“Under the Industrial Policy Resolution our intention is to develop air transport as a monopoly of Government. But, under the present conditions, as we have not got sufficient economic types of aircrafts which can operate services on an economic basis, we have got to continue to allow these four or five operators to serve those areas where services are needed and necessary”.

44. The Corporation has stated that in 1962, they had indicated to Government that the Corporation would not be interested to operate the following routes for the next five years:—

1. Patna/Muzaffarpur.
2. Gorakhpur/Lucknow.
3. Calcutta/Asansol.
4. Bombay/Mithapur.
5. Calcutta/Raipur.
6. Calcutta/Cooch-behar.
7. Calcutta/Malda.
8. Mohanbari/Along.
9. Mohanbari/Passighat.
10. Madras/Vijayawada/Nagarjunsagar|Hyderabad.
11. Vizag/Raipur/Bilaspur|Jabalpur|Bhopal.
12. Raipur/Nagpur/Bhopal.
13. Bombay/Poona/Sholapur/Bidar.
14. Bombay/Nasik/Chalisgaon/Akola/Nagpur /Ahmedabad/Bombay.
15. Madras/Vellore/Mysore/Calicut|Cochin.

45. During evidence it was stated that the Corporation would have no objection if the private operators were allowed to operate on the above routes.

46. The Secretary to the Ministry when questioned during evidence as to whether any permission had been given to the private operators to operate scheduled services, stated that the rules were promulgated in July 1965 only and under the rules an Advisory Committee was to be set up. As soon as the composition of the Advisory Committee was finalised, notice would be issued inviting applications from those who wished to operate scheduled services. ||| ✓

47. The Committee note that under the Industrial Review Policy Resolution of 1956, air transport has to be developed of routes as a Central Government monopoly. From the statement made by the Deputy Minister of Civil Aviation in Lok Sabha on the 29th March, 1962, it would appear that the Air Corporations Act was amended to allow some private operators to serve those areas where services were necessary but where the Corporation could not operate its services on economic basis. The intention obviously was that permission to private operators to start scheduled services would be given in exceptional cases and for all other routes the Corporation would assume full responsibility for development. A perusal of the list of 15 routes mentioned earlier indicates that with a suitable type of aircraft some of these routes could be operated profitably. The Corporation should undertake a fresh review of these routes and those which have adequate traffic potential so as to make them remunerative in the near future, it should have them reserved for itself. The remaining routes could be thrown open to the private operators so that benefits of air travel become available in these areas.

J. Opening of new Stations

48. According to the information supplied to the Estimates Committee in 1956-57, the number of stations within the network of the Corporation's operations was 62 in that year. The new stations opened since 1956-57 which are still continuing are Baroda, Goa (Dabolim), Kandla, Madurai, Vijaywada, Jamshedpur, Ranchi, Rourkela, Port-Blair, Allahabad, Kanpur and Udaipur. The stations which were discontinued during the period are Dibrugarh, Gorakhpur, Gwalior, Jodhpur, Pathankot, Chittagong, Muzaffarpur, Biratnagar, Bhairawa, Pokhra and Simra. The number of stations as on 1-3-1966 was 61.

49. Services to Indore and Chandigarh are likely to commence from 1.5.1966. Seasonal services to Phoolbagh and Kulu are likely to be resumed. Services to Lahore, Karachi and Dacca which were suspended due to the emergency are also likely to be resumed. If these stations are taken into consideration, the total number would be 68.

*Opening
of new
Stations.*

50. It would thus be seen that the progress made in opening new stations has been far from satisfactory. In fact more stations have been closed than opened, while it was expected that the Corporation would bring more stations within its network. The Committee hope that expansion of routes will be undertaken early and efforts made to connect new stations which have a potential for traffic growth and profitable operation of services.

K. Feeder Routes

51. The Corporation proposes to operate the following new 'Feeder Routes' during the Fourth Five Year Plan period provided it is in a position to acquire suitable aircraft for these routes:—

(a) Punjab	Services connecting Chandigarh, Ferozepur, Amritsar, Ambala and Jullunder.
(b) Rajasthan	Services connecting Jaipur, Bikaner, Jodhpur, Jaisalmer, Udaipur, Kotah.
(c) Maharashtra	Services connecting Bombay, Nagpur, Poona, Nasik, Aurangabad, Sholapur and Kolhapur.
(d) Mysore	Services connecting Bangalore, Mysore, Mangalore Hubli, Belgaum, Hospet and Badami

52. A turbo-prop aircraft, with a capacity of 25 to 30 seats, is expected to be used on these short sector routes. These are low density routes and the Corporation hopes to operate them as promotional ventures with subsidy from the Civil Aviation Development Fund.

III

OPERATIONS

A. Fleet

53. The fleet position of the Corporation during the last five years has been as follows:—

	As on 31-3-1961	As on 31-3-1962	As on 31-3-1963	As on 31-3-1964	As on 31-3-1965
Dakotas . . .	54	45	43	38	36
Friendships . . .		5	10	10	10
Skymasters . . .	5	5	3	3	3
Viscounts . . .	10	13	13	12	12
Caravelles . . .	..	..	..	3	4
TOTAL . . .	69	68	69	66	65

(i) *Dakotas*

54. In the Annual Report of the Corporation for the year 1963-64, it has been stated that:—

“Dakota operation in India has been a costly affair since the last several years due to the limited capacity of the aircraft, slow speed, scarcity of spare parts and high cost of fuel. The economics have now completely collapsed with the enormous increase of fuel duties and the upward revision of landing charges. These operations still account for 19 per cent of the total Atkm”.

55. The Corporation suffered operating loss on its Dakota services during the last three years as indicated below:—

(Rs. in lakhs)

Year	Operating cost	Assessed Revenue	Deficit
1962-63	549.00	392.66	156.34
1963-64	459.75	302.80	156.95
1964-65	465.93	295.01	170.92

56. As early as 1956-57, the Estimates Committee had recommended that the question of replacement of Dakotas should be examined. When asked whether the Corporation had drawn up any plan for such replacement, it has been stated that early in 1959, when Projects for the Third Five Year Plan were drawn up, a provision was suggested for acquiring 30 twin-engined turbo-prop aircraft to replace passenger Dakotas on regional routes. While the allocation in the Third Five Year Plan period was still under discussion approval to the purchase of five Friendship aircraft was given as a first step in the Dakota replacement programme. These five Friendships were received in 1961. In the same year a further five Friendships were ordered to make up a fleet of 10 aircraft. These were received between November, 1962 and March, 1963. The AVRO project was taken up by Ministry of Defence in 1959. Due to foreign exchange difficulties and in order to patronise Indian product the Corporation decided to go in for this aircraft to replace the Dakotas.

57. The Corporation had agreed to take fifteen AVRO-748 and the delivery was scheduled as follows:—

1966	5
1967	6
1968	4

58. The Committee were informed that according to the present programme and contingent on the availability of AVROs, the entire Dakota Fleet of the Corporation now consisting of 33 aircraft would retire by 1968.

Delay in replacement of Dakotas.

59. The Committee regret to note that although the need for replacement of Dakotas was felt several years back, the progress made in their replacement has been very slow. The Corporation acquired 10 Friendship aircraft during the years 1961-62 and 1962-63. Thereafter the Corporation went in for the Caravelles for its trunk routes and waited for the availability of the AVRO for deploying on the regional routes. The number of AVRO aircraft to be made available to the Corporation was inadequate to meet its requirements. The delay in the manufacture of AVRO should also have been anticipated by the Corporation in 1963. The Corporation should have continued gradual addition to its fleet, preferably by Friendship which was already on its services, and which it intends to continue to deploy instead of incurring heavy losses year by year through the use of Dakotas.

(ii) AVRO-748

60. During evidence, it was stated that the AVRO-748 Series II, now being manufactured at Kanpur, had been

tested by them last year for about 1½ months and had come up to their expectations from the point of view of fuel consumption and performance under varying conditions. However, the aircraft was not with the Corporation long enough to know the manhours required for overhauling, repairs etc. Each AVRO-748 was expected to cost Rs. 41 lakhs, out of which Rs. 33 lakhs would constitute the foreign exchange component. Although five aircraft were promised in 1966, the delivery was likely to be delayed.

61. Reference has been made earlier to the enormous *Early losses incurred in the Dakota operations*. In 1964-65 this introduced loss amounted to Rs. 170.92 lakhs. An improvement in the financial results of the Corporation is thus dependent *AVROS..* primarily on the availability of the AVRO aircraft. The Ministry of Defence should take all possible steps in increase the rate of production of this aircraft. However, if the production programme of AVRO is being much delayed, the Corporation should make additions to its fleet by further purchasing any one type of the aircraft already in its service so as to replace some of the Dakotas.

(iii) Caravelles

62. The Caravelles were introduced on the trunk routes with effect from the 1st February, 1964. The Corporation had acquired 6 Caravelles, but unfortunately one of these while operating a scheduled passenger service from Calcutta to Delhi, undershot the runway at Palam airport on the 15th February, 1966 and was completely burnt.

(iv) Viscounts

63. The Corporation has a fleet of 12 Viscounts. These were introduced into the Corporation's service in 1957-58. The Viscount operations have so far been generally remunerative. The Corporation has stated that by 1967-68 these aircraft would have completed their normal life and would be sold abroad. It is believed that the buyers might use them for charters or re-work them for use again.

64. It has been estimated by the Corporation that *Replacement of* during the Fourth Five Year Plan it would require 7 aircraft to replace the Viscounts and Skymasters. It follows *Vis-* that these replacements would necessitate heavy *counts.* investment. Considering the need to expand more routes and services and also the limited funds that will be available during the Fourth Five Year Plan period, the Corporation should concentrate on expansion and use the existing fleet until its operations continue to be safe and remunerative.

(v) Friendships

65. The Corporation has a fleet of 10 Friendship aircraft, with a seating capacity of 36 persons. The Friendships were introduced into the Corporation's service in 1961-62 and are mostly operated on regional routes. In the Annual Report of the Corporation for the year 1963-64, it was stated that the result of Friendship operations were marginal because the general rise in operating costs coupled with the change-over to short-haul sectors did not bring in a substantial surplus. In the Annual Report for 1964-65, it was stated that the Friendships had been operated at a loss.

66. The Committee also discussed during evidence the reasons for such losses. It was stated that the losses were due to drop in utilisation, lower load factor and operation on short sectors. However, with higher utilisation, the Corporation was hopeful of making the Friendship services remunerative.

Route pattern of friend-ship.

67. The Corporation began its Friendship operations in 1961-62 and expects to continue to operate it in future as the basic aircraft for the regional routes. This aircraft is regarded as an economic and efficient one. There is no reason why its operations should have lately resulted in losses. As soon as the Corporation had became aware of the adverse results of its operations it should have taken remedial steps instead of waiting to do so in future. The Corporation should immediately take the necessary steps in this direction and so arrange the route pattern of the Friendship as to make them remunerative.

B. Standardisation of Fleet

68. At present the Corporation has in use the following types of aircraft:—

- (i) Boeings on Charter from Air India (services suspended consequent on loss of one Air India's aircraft in a crash near Geneva on 24-1-1966).
- (ii) Caravelles.
- (iii) Friendships.
- (iv) Viscounts.
- (v) Skymasters.
- (vi) Dakotas.

69. During the Fourth Five Year Plan period the Corporation hopes to replace the Dakotas, Skymasters and Viscounts. These are expected to be replaced by three other

types *viz.*, one of the Second generation jets for trunk and high density routes, AVRO's for regional routes and a turbo-prop with a capacity of 25 to 30 seats for short sectors. Thus in the future set up the deployment of various types of aircraft will be as follows:—

(i) *Boeings*.—The growth of traffic on the Golden Triangle *viz.* Delhi-Calcutta-Bombay is at a rate which would justify operations with a Boeing. The Corporation has, therefore, planned that these routes should be operated by a Boeing either by purchase of one from Air India or by charter*.

(ii) *Caravelles*.—For the trunk routes and high density routes.

(iii) *A second generation jet*.—For the trunk routes and high density routes. Five such aircraft may be purchased during the Fourth Plan period seating capacity 80 persons.

(iv) *Friendship*.—For regional routes: seating capacity 36 persons.

(v) *AVRO*.—For regional routes: Fifteen such aircraft may be added during the Fourth Plan: seating capacity 40 persons.

(vi) *A Turbo-prop*.—For short sectors and feeder routes; seating capacity 25 to 30 persons; 15 such aircraft may be added. Nord-262 is one of the aircraft being considered for the purpose.

70. The Committee desired to know whether multiplicity of types of aircraft would not create problems connected with their maintenance, overhaul and operation and consequently add to the expenses. The General Manager agreed with this and added that the Corporation aimed at ultimately having 3 types of aircraft for its operations.

71. According to the present plans, the Corporation will continue to operate six types of aircraft. The introduction of AVRO for regional routes and a turbo-prop for short sectors and feeder routes seems to be necessary. The Committee would, however, like it to be examined whether the introduction of Boeings and a second generation jet will actually lead to speed, efficiency and economy and compensate for the added costs which would result in maintenance and operation of two more types of aircraft and that too with a small fleet of each type. The Committee are of the view that it is not necessary according to the route pattern and limited fleet of the Corporation to employ six types of aircraft in its service. These should be reduced to the minimum.

Reduction
in various
types of
aircraft
suggested.

*At the time of factual verification, the Ministry of Transport and Aviation informed that the Corporation now proposed to operate the golden triangle route with Caravelle until a bigger aircraft can be acquired.

C. Aircraft Utilisation

72. The table below shows the aircraft utilisation per annum during the years 1954-55 to 1964-65:—

Year	Caravelle	Viscount	Skymaster	Friendship	Dakota	All types
						per aircraft per annum
	1	2	3	4	5	6
1954-55	..		1,010		1,371	1378
1955-56			1,680		1,416	1405
1956-57		..	2,432		1,400	1442
1957-58		2,447	2,574		1,392	1335
1958-59		2,478	1,426		1,506	1526
1959-60		2,633	2,196		1,441	1605
1960-61	..	2,545	2,473	..	1,569	1729
1961-62		2,582	2,564	2,086	1,444	1717
1962-63		2,655	2,436	2,200	1,739	1991
1963-64	2,313	2,451	2,309	2,301	1,340	1763
1964-65	2,470	2,535	1,754	2,016	1,541	1880

73. It is seen from the above that there has been a decline in utilisation of Skymaster and Friendship aircraft in 1964-65 over 1963-64. In the beginning of the year 1962-63, the Corporation had 5 Skymasters, but two were lost during that year. This reduced the utilisation in 1963-64. A further reduction occurred in 1964-65 as Dakotas and Viscounts were introduced for the Night Air Mail on some of the sectors. The Friendship utilisation dropped in 1964-65 as these aircraft were directed towards short sectors. Another reason was that on the 15th October, 1964 one aircraft was extensively damaged due to improper take off at Madras. This aircraft was grounded for major repairs.

Low utilisation of Friendship.

74. From the figures given above, the utilisation of Friendship aircraft works out to 5 hours 31 minutes per day in 1964-65 as against 6 hours 18 minutes in 1963-64. Even allowing some margin for the low utilisation due to operation on some short sectors, the utilisation is low and should not have gone down to this extent. Reference has been made in para 65 of this Report about the losses incurred on Friendship operations. As this is a new type of

aircraft and also capable of operating remuneratively, its utilisation ought to be higher.

D. Cost of aircraft and other projects during the various Plan periods

75. The requirements of the Corporation during the Fourth Five Year Plan period are given below together with the actual expenditure incurred during the First and Second Five Year Plan periods and those proposed during the Third and Fourth Five Year Plan periods under broad categories:—

(Rs. in crores)

Scheme	First Plan (Actual)	Second Plan (Actual)	Third Plan (Proposed)	Fourth Plan (Provision) (1950-51/ 1955-56)	(1961-62/ 1965-66)	(1966-67/ 1970-71)
	1	2	3	4		
Purchase of aircraft	2.98	6.29	11.55	44.30		
Workshop expansion and other Misc. items of capital ex- penditure	0.72	1.28	0.95	1.80		
Redemption of debenture			..	..
Compensation bonds, repayment of borrowings, etc.	1.08	2.65	..	..
Buildings	0.06	0.30	0.50	0.42		
Staff Quarters	..	..	2.00	3.00		
Cash losses loans	2.76	5.89	..	..
TOTAL	7.60	16.41	15.00	49.52		

E. Accidents

76. The table below indicates the accidents to the Corporation's aircraft resulting in fatalities:—

Year	No. of fatal Fatalities accidents		
1	2	3	
1956-57	3	25	
1957-58	3	25	
1958-59	4	27	

	1	2	3
1959-60	.	.	13
1960-61
1961-62
1962-63	.	.	1
1963-64	.	2	47
1964-65

77. In this connection the Committee drew attention to the following observations from the Reports of the Court of Investigation which examined the accidents dated 3-6-1963 and 11-9-1963:—

“The manner in which the overhauling and repairs are carried out leaves much to be desired because it has been noticed that there was not that meticulous adherence to detail as would guarantee the complete airworthiness of the aircraft.”

“The manner in which the through flight check of the Night Air Mail aircraft is carried out at Nagpur surprised me not a little. The check is carried out so hurriedly and in such a perfunctory manner that it cannot serve any useful purpose. Indeed in my view it cannot be considered a check at all.”

78. The General Manager stated in evidence that they were giving a serious thought to these matters and were trying to improve their technical, maintenance and overhaul facilities and reorganise the engineering set up with particular attention to quality control and maintenance.

Mainte-
nance of
safety
Stand-
ards.

79. Recently there have been two accidents one on 7th February, 1966 near Banihal Pass in which a Friendship aircraft was lost with 33 passengers and a crew of 4, the other on 15th February 1966 in which a Caravelle was completely burnt at the runway at Palam airport. In this case all the passengers and crew were evacuated, but one passenger succumbed to injuries later in hospital. It is probable that adequate steps are not being taken to maintain the necessary safety standards or the crew is becoming complacent. If proper arrangements are made for overhaul and repairs, flight checks, communication of aeronautical information, weather reports, exchange of information on snags, mal-

functioning etc., it should be possible to eliminate accidents. The Management of the Corporation as also the Government should pay particular attention to these aspects and ensure highest standards of passenger safety, airworthiness of the aircraft and operational efficiency of the staff on the ground as also of the air crew.

TRAFFIC

A. Volume of Traffic

80. A statement showing the scheduled air services operated by the Indian Airlines Corporation as on 1st March, 1966 is at Appendix I. The table below gives the figures of passengers and Mail carried by the Corporation during the years 1954-55 to 1964-65:—

Year		Revenue passengers carried	Mail carried (Tonnes)
1954-55	.	477,583	4,732
1955-56	.	500,363	5,074
1956-57	.	571,106	5,306
1957-58		599,573	5,249
1958-59	.	653,494	5,554
1959-60	.	703,013	5,950
1960-61	.	787,187	6,107
1961-62	.	880,882	6,708
1962-63	.	906,546	7,106
1963-64	.	1,047,592	8,169
1964-65	.	1,235,310	8,869

B. Load Factor

81. The capacity produced, i.e. Available Tonne Kilometres (Atkm), the capacity utilised, i.e. the Revenue

Tonne Kilometres (Rtkm) and the overall Load Factor since 1954-55 were as follows:—

Year	Atkm produced	Percentage increase over previous year	Revenue Tonne Kilometres performed	Percentage increase over previous year	Overall Load Factor	
	1	2	3	4	5	6
(in millions)			(in millions)			
1954-55	75.942	..	52.962	..	69.7	
1955-56	84.346	11.1	59.515	12.4	70.6	
1956-57	90.115	6.8	62.007	4.2	68.8	
1957-58	93.183	3.4	65.396	5.5	70.2	
1958-59	104.773	12.4	74.012	13.2	70.6	
1959-60	110.979	5.9	78.485	6.0	70.7	
1960-61	113.050	1.9	83.199	6.0	73.6	
1961-62	120.792	6.8	87.424	5.0	72.4	
1962-63	136.077	12.7	98.193	12.3	72.2	
1963-64	135.173	(-)-0.7	94.329	(-)-3.9	69.8	
1964-65	156.970	16.1	109.356	15.9	69.7	

82. It would be seen from the table above that the highest load factor achieved was 73.6 per cent in 1960-61 but thereafter there has been a decline year by year. This indicates that while the capacity produced has increased during these years, the traffic carried has not increased in the same proportion.

83. The decrease in load factor in the years 1963-64 and 1964-65 is stated to be due to the following factors:—

- (i) Introduction of large type of aircraft like Caravelle.
- (ii) Increase in capacity on certain routes cannot be fully used up in the very year in which it is increased.

84. The Corporation's view is that if around the year the average load factor exceeds 65 per cent, it indicates that on high density sectors, on most of the days, there must have been large wait-list of passengers. In its future fleet equipment programme, therefore, the Corporation

has planned its capacity provision on the basis of load factors ranging from 60 per cent to 70 per cent depending on the route. Even these are considered very high and would result in unsatisfied demand during certain periods on certain routes.

85. From what has been stated above the Corporation's load factor around 70 per cent over the last decade can be considered as very satisfactory. But this also indicates that along with the increase in load there has been a corresponding rise in the demand for seats which has considerably remained unsatisfied all these years. This was also admitted during evidence and is borne out by the ever long waiting lists in the Corporation's booking offices, which causes great inconvenience to numerous passengers who are unable to get seats or travel at short notice. As the Corporation has a monopoly of air services within the country, the management must constantly endeavour to meet the requirements of the travelling public to the maximum extent throughout the year.

C. Growth of Capacity

86. From the figures of capacity produced and capacity utilised, the annual rate of growth during the years 1961-62 to 1964-65 works out to 7.7 per cent. The General Manager stated in evidence that the capacity growth of 7 to 9 per cent was normal. In a note furnished to the Committee, it is stated that the growth of traffic on I.A.C.'s route structure varies widely between the trunk routes and the regional routes. The actual growth rate and the rate assumed for the Fourth Five Year Plan are indicated below:—

Rate of growth assumed during the Fourth Plan period.

Rate of growth assumed during the Fourth Plan period.	Actual rate of growth	Rate of growth assumed for the Fourth Plan
(i) Trunk Routes	14.6%	15%
(ii) High Density Routes	12.33%	12.5%
(iii) Average Density Regional Routes	9.95%	10%
(iv) Low Density Regional Routes	5.04%	5%

D. Traffic Revenue

87. The traffic revenue earned during the last few years has been as follows:—

	1960-61	1961-62	1962-63	1963-64	1964-65
(Rs. in lakhs)					
(a) Passengers	903.10	1056.97	1152.52	1454.77	1742.51
(b) Excess Baggage	17.04	17.96	17.64	21.68	27.95
(c) Mail . .	113.90	124.99	115.14	161.72	167.18
(d) Freight .	175.28	189.43	200.30	216.41	202.54
(e) Charters .	59.75	46.83	161.06	24.22	29.38
	1269.07	1436.18	1646.66	1878.80	2169.56

88. There has been a progressive increase in the traffic revenue which is due to increase in traffic carried as also in fares and freight rates. As regards fares and freight rates, there has been upward revision since nationalisation from time to time as indicated below:—

- (i) On the 15th July, 1955 there was a partial revision of fares and freight rates.
- (ii) With effect from 15th June, 1958, fares were increased.
- (iii) With effect from September/October, 1961 passenger fares were upgraded by approximately 10 per cent in the case of Viscounts, Night Airmail Services and Friendships, and by 5 per cent in Dakota services (except in Assam, Manipur and Tripura).
- (iv) With effect from 1st June, 1963 there was an increase in passenger fares by 7½ per cent in the case of trunk routes and 5 per cent in respect of regional routes (excepting Calcutta-Agartala-Khowai-Kamalpur-Kailashahar).

E. Transport of Domestic Passengers on Air India's Boeing

89. At present Air India does not normally carry fare paying passengers or domestic cargo on their services within India. The result is that its spare capacity to the extent of 50 per cent goes unutilised. With a view to utilisation of this capacity, as also for the convenience of the travelling public, the Committee have, in their report on the working of Air India, recommended that an arrangement should be made whereby passengers unable to get seats on I.A.C.'s services are as a matter of course diverted to Air India's Boeing. It is also envisaged that I.A.C. would get Division of passengers who are unable to get seats on IAC flights on Air India's Boeing.

50 per cent share of the revenue from the traffic so diverted to Air India. This arrangement which will be beneficial to the travelling public and the two air corporations should be reached immediately, failing which Government might examine the question of issuing a directive.

F. Cargo Traffic

90. The table below shows the cargo carried during the years 1954-55 to 1964-65:—

Year	Cargo Carried (Tonnes)
1954-55	51,064
1955-56	54,722
1956-57	50,999
1957-58	44,917
1958-59	50,778
1959-60	46,781
1960-61	43,157
1961-62	36,688
1962-63	36,888
1963-64	30,715
1964-65	24,532

91. It is seen that from 1959-60 onwards there has been a gradual decline in the cargo traffic. From the information supplied to the Committee during their Calcutta tour in July 1965, it is noticed that out of the total cargo traffic, the cargo carried within the Calcutta Area (mainly between Calcutta and Assam regions) was 24816 tonnes in 1962-63 and 20347 tonnes in 1963-64. This indicates that the total air cargo carried in the rest of the country is very low.

92. The Corporation has stated that the drop in air freighting from year to year has been due to the following reasons:—

- (i) Better surface transport facilities in the eastern region where the bulk of the freight traffic is carried.
- (ii) Uneconomical nature of Dakota operations and lack of incentive to the Corporation to expand such losing operations;
- (iii) Increase in Freight rates necessitated by the increased operational costs;
- (iv) Lack of space on modern turbo-prop and jet aircraft used by the Corporation.

93. The Corporation has further stated that till lately it had been concentrating on providing increased capacity for passenger traffic. Since the demand for passenger traffic had been continuously far ahead of the supply and because of the non-availability of foreign exchange to the extent required, the Corporation could not expand its fleet at the required pace. In order to develop cargo traffic, the Corporation however proposes to put such types of aircraft on its routes which would be having more cargo capacity e.g., on the golden triangle route Bombay/Delhi/Calcutta it was proposed to operate Boeing which would provide more capacity for freight, postal mails, newspapers etc. Similarly, Viscount which has a very limited capacity would be replaced by a type of aircraft which would provide greater capacity for freight and mails. Further, Dakotas when replaced by AVROS 748 would provide 24 times more cargo capacity.

94. During evidence it was stated that in the Friendship, Viscount and Caravelle there was limitation of cargo capacity. So far cargo traffic was mainly undertaken in the eastern region, but this traffic had declined with the improvement of communication facilities in that region. On an average, the Corporation operated 161 freighter services in a month to Agartala, Gauhati, Silchar/Imphal. As these services were maintained with Dakota aircraft whose operation was unremunerative the Corporation did not encourage more cargo as that would have meant further losses.

95. In this connection it may be pointed out that the then General Manager of the Corporation, in his evidence given before the Estimates Committee in 1961, admitted that if a proper search was made, there would be enough of cargo. He gave the Committee to understand that on behalf of the Corporation the National Council of Applied Economic Research was conducting a survey in South India and the intention was that in due course of time it would be possible to run a number of pure cargo services covering the whole country. The expectations of the Corporation have not materialised as is evident from the quantity of cargo carried during the last three years. The quantity has in fact declined and in 1964-65 it was even less than 50 per cent of the cargo carried in 1958-59.

96. The Committee regret to note that there has been Intro-
decline in the cargo traffic from year to year. If the cargo duction traffic in the eastern region is excluded, the balance of of pure cargo carried in the rest of the country would be meagre. cargo It seems that in the past whenever additional capacity was services planned on the trunk routes and the regional routes, no suggest-
conscious effort was made for developing cargo traffic in the ed. country or to acquire the right type of aircraft for the purpose. The Corporation also does not want to publicise the advantages of transport of cargo by air and to create

a market for it. With the present approach of the Corporation of shunning or only waiting for business to come, it is not surprising that this important source of traffic revenue has remained neglected and declined and the available capacity has also remained unutilised to some extent. The Committee expect that in the Fourth Five Year Plan period there would be a planned growth of passenger, mail and cargo traffic and it would also be possible to introduce pure cargo services covering the country.

G. Delay in Flights

97. The table below gives the number of delays to the Corporation's passenger services exceeding 30 minutes during the last 3 years:—

Year	Total Scheduled passenger services.	Total No. of delays	Percent- age of (3) to (2)
1	2	3	4
1962-63	34,706	4786	14%
1963-64	34,122	5771	16.9%
1964-65	38,099	7349	19%

98. The break up of reasons for delay during the year 1964-65 is as follows:—

	No. of delays above 30 minutes.
Bad weather.	1296
Engineering	1632
Traffic	346
Operations	520
Connections	3277
Others	278
TOTAL	7349

100. It would be seen from the above that there has been a rising trend in the number of delays from 14 per cent in 1962-63 to 19 per cent in 1964-65.

101. The representatives of the Corporation stated that the delays in Caravelle services were due to non-availability of a stand-by aircraft. The delays in other services were partly due to engineering. It was stated that operations had been extended to smaller stations where adequate facilities were not available.

102. These reasons were not convincing. The Committee subsequently discussed this question with the Secretary, the Ministry of Civil Aviation whose opinion is summed up below:—

- (i) The Corporation acquired two new types of aircraft, i.e. Carvelles and Friendships, during the last five years and it took time for the engineers to familiarise themselves, remove snags and maintain these aircraft.
- (ii) Due to change in the pattern of operations, stores had to be transferred from one place to another and this took time.
- (iii) Certain parts of the Rolls Royce engines fitted in Viscounts were giving trouble. These matters had been discussed with the manufacturers and it was now proposed to carry out the modifications suggested by them.
- (iv) Sometimes due to rainfall (especially in Calcutta) the traffic was held up and the crew and passengers were delayed.
- (v) The efficiency of the engineering organisation had gone down because promotions had been made in the Department without regard for the academic qualifications.

103. The Ministry's representative admitted that there was lack of planning and the increase in delays showed that there was something wrong somewhere. The Government had appointed two Committees—one to go into the question of delays and the other for engineering matters. These Committees had recommended a drastic reorganisation of the engineering set up, which was now engaging the attention of the Corporation. As regards comparison with foreign airlines, the Secretary of the Ministry stated that by and large the punctuality rate of IAC was better than that of other airlines.

104. The reasons advanced for the delays are unsatisfactory. Many of the delays were avoidable or could have been reduced and of one such delay the Committee had some experience. There is an impression amongst the people that delays in I.A.C.'s flights are a normal feature of flights, and much of it is due to bad organisation and lack of spirit of service. Such impressions are strengthened when reports appear in the press quite frequently about services being

delayed or even cancelled because the crew did not turn up in time or did not take off on account of minor staff grievances. The Committee would like to emphasise that the reputation and reliability of the Corporation depends considerably on its punctuality of service. The Corporation must always be conscious that delays in flights cause considerable inconvenience to the public and lower its utility as a fast carrier. All cases of engineering, traffic and operational delays and avoidable cases of weather delays must be looked into by a senior officer. In case of default the responsibility should be speedily fixed and the offender punished. The Management should not be lenient in this matter and should lay greater emphasis on discipline among the officers and staff so as to improve its reputation and create a better understanding of its working.

H. Cancellation Charges

Rates of cancellation charges.

105. The table below gives the rates of cancellation charges prior to August 1963 and those effective from 1st August 1963:—

	Rate of cancellation charges prior to August 1963.	Rate of Cancellation charges from 1st Aug. 1963
1. If the ticket is cancelled 48 hours before time of departure.	Value of ticket less Rs. 4/- is refunded	Value of ticket less Rs. 4/- is refunded
2. If ticket is cancelled less than 48 hours before time of departure.	5%	10%
3. Less than 24 hours but more than 12 hours.	10%	25%
4. Less than 12 hours but more than 15 minutes in the case of internal and 45 minutes in the case of international services.	25%	50%

106. It would thus be seen from the above that under the revised Rules effective from the 1st August, 1963, the cancellation charges were increased from 5 per cent to 10 per cent, from 10 per cent to 25 per cent and from 25 per cent to 50 per cent depending upon the time of cancellation of tickets.

107. The Corporation has stated that in order to minimise frivolous bookings, including the difficulty experienced by genuine customers in finding seats, it became necessary to revise the cancellation charges. The General Manager stated that the Corporation proposed to provide enough capacity for passengers soon and this would minimise frivolous bookings. At that stage the question of reducing cancellation charges could be considered.

108. The amount received by the Corporation by way of cancellation charges during the years 1962-63 to 1964-65 was as follows:—

	(Rs. in lakhs)
1962-63	12.86
1963-64	17.53
1964-65	21.24

109. In this connection attention was drawn to the provision for waiving of cancellation charges in cases where a journey could not be performed for reasons beyond the control of passenger. Such contingency, however, arose in rare cases. The Committee also understand that the cancellation charges levied by some of the leading domestic carriers of other countries are 25 per cent. Most carriers do not levy cancellation charges and if they do, these are waived.

110. The Committee are not convinced that there is a Review case for levy of cancellation charges to the extent of 50 per cent. The main reason for this upward revision was frivolous booking by some persons. In that case genuine passengers who for one reason or the other are not able to perform the journey after the tickets are purchased should not be penalised so heavily. The provision for waiving of charges in suitable cases is also cumbersome because it creates problem of verification of genuineness of each case. There is a case for liberalisation of this procedure. The cancellation rates should be reduced suitably.

I. Priority Seats

111. The number of 'Priority Seats' held by Central Government/State Governments and Army Headquarters on the various flights of the Corporation is as follows:—

Seats held by Central Government (DGCA)	14
Seats held by State Governments	43
Seats held by Army Headquarters	81
TOTAL	138

112. The Committee desired to know whether there was any loss of revenue on account of Priority Seats remaining unutilised because neither the Government used them nor the Corporation could subsequently sell them. It has been stated that on sectors on which there is adequate capacity the holding of such seats would not normally affect the public. On sectors where a large waiting list is not uncommon, Priority seats released are promptly utilised for passengers on the waiting list. The Corpora-

tion, however, feels handicapped as the general public has to be kept waiting till the release of priority seats and this is a source of irritation to them.

**Review
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113. The Committee feel that while the holding of certain number of Priority Seats is necessary in the interest of Government business, they consider that the Corporation should not also be unduly handicapped by holding over of too many seats. They would, therefore, suggest a review of Priority Seats from time to time with a view to reduce them to the minimum and also to advance the time for the release of the unrequired seats.

J. Reservation procedure

114. There is a general feeling among the travelling public that one of the major failings of the Corporation in their service to the public is their reservation organisation. It has been represented to the Committee by a Chamber of Commerce that there are few check systems, such as for duplicate bookings, Pre-flight checking of reservation lists, or flight watching for connecting passengers. This results in a number of duplicate bookings and unwanted space, not being released due to missed connections.

115. When asked during evidence as to what remedial measures the Corporation proposed to take to put the Reservation Organisation on a more sound and systematic footing, the General Manager stated that they were taking various steps in this regard. The Corporation proposed to instal shortly electrically operated indicator Boards at suitable places in the booking offices at Delhi, Bombay, Calcutta and Madras. The Board would indicate the position of 15 services for a period of 15 days. Further, instructions would be issued that in the case of Members of Parliament, reservations should be accepted over telephone. The possibility of opening a counter in Parliament House for reservation of seats for Members of Parliament was also promised.

**Reserva-
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116. The various measures proposed are in the right direction. The system of sector allocation of seats should also be improved to ensure the optimum utilisation of the available seats. Besides efforts are needed on the part of the Corporation to raise its image in the eyes of the travelling public by courteous handling of the passengers at the Reservation Counters etc.

K. Teleprinter Circuits

117. Messages regarding reservations are routed on teleprinter and wireless telegraph channels. Occasional

use is also being made of telecommunication channels of the DGCA for sending reservation messages. At present the following 12 stations are connected by Teleprinter Circuits:—

1. Delhi
2. Bombay
3. Calcutta
4. Madras
5. Srinagar
6. Varanasi
7. Nagpur
8. Hyderabad
9. Ahmedabad
10. Gauhati
11. Bangalore
12. Cochin

118. A Committee which was set up to study the requirements of the Corporation for extra teleprinter circuits, has recommended that the following stations might be connected with the teleprinter net work:—

1. Agra
2. Jaipur
3. Jammu
4. Aurangabad
5. Mangalore
6. Goa
7. Rajkot
8. Bagdogra
9. Coimbatore
10. Madurai
11. Trivandrum

119. The Committee were informed during evidence that the question of providing 11 more teleprinter circuits plus national telex linking Bombay, Calcutta, Delhi, Madras, Bangalore and Hyderabad had been taken up with the Posts and Telegraphs Department. The cost involved was Rs. 1,38,200 recurring and Rs. 2,920 non-recurring in the case of teleprinters and Rs. 3 lakhs for telex. The Corporation has stated that due to the bottleneck in the teleprinter machines which were in short supply it had not been possible to connect all the important stations with teleprinters.

Priority
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120. Complaints regarding delays in confirmation of reservations required from out stations are quite frequent. The Corporation should, therefore, have an efficient system of communication. It should be accorded priority for obtaining additional teleprinter circuits so as to link all important stations in the country which are connected by scheduled air services. In the meantime, increasing use should be made of the wireless telegraph and telecommunication channels available with the Posts and Telegraphs Department and the Director General of Civil Aviation for arranging reservations for passengers, particularly foreign tourists.

L. Travel Agents

121. The Corporation has 80 travel agents in India of which 20 are only for domestic sectors. In addition there are 12 Agents for the Corporation's International Sectors. These figures do not include agents recognised by the Corporation outside India i.e., Afghanistan, Pakistan, Ceylon, Nepal and Burma where for competitive reasons Agents continue to be appointed from time to time.

Booking
Agency
Commis-
sion.

122. The table below shows the business secured by the Corporation direct and that secured through the travel agents together with the commission paid to them during the last three years:—

(Rs. in lakhs)

	Total business	Direct	Agents	Other airlines	Commis- sion paid to Agents.
1962-63 .	1431.58	592.70 41.40%	587.95 41.07%	250.93 17.53%	23.00
1963-64	1749.86	748.36 42.76%	692.04 39.55%	309.46 17.69%	28.70
1964-65 .	2107.50	948.26 44.99%	806.95 38.29%	352.29 16.72%	32.42

% shows percentage to total business.

123. It would be seen from the table above that the share of business secured by the Corporation through travel agents to the total business was 38.29 in the year 1964-65 and that the business secured direct by the Corporation was 44.99 per cent. Keeping in view the fact that the Corporation is a monopoly concern and has not competition to face at least on the domestic routes, the Com-

mittee desired to know the Corporation's views on the retention or abolition of the agency system. The General Manager stated during evidence that travel agents rendered certain extra services to passengers which the Corporation was not in a position to give e.g. home delivery of tickets to passengers, credit facilities etc. Apart from the services which the agents render to the travelling public, the services of these agents have been of help to the Corporation, in as much as in their absence, the pressure on the Corporation's offices would have been too great necessitating employment of additional staff and renting of additional accommodation. In case the Corporation had to do away with the travel agents and to book the entire traffic directly, the extra expenditure that is likely to be incurred by way of additional staff both operative and supervisory and rental of accommodation, would not be less than the commission that is paid at present. The Corporation feels that while other airlines are introducing facilities like 'Pay later Schemes' abolition of travel agents by the Corporation would amount to depriving the travelling public of the credit facilities which they are enjoying through the Travel Agents.

124. While there is no denying the fact that Travel Direct Agency System plays an important role in an air transport industry and has certain obvious advantages, it has to be realised that too much reliance on the travel agents business for the procurement of business hardly reflects well on the sales efficiency of the Corporation. There is a general impression that its sales organisation is weak and inattentive. Further the share of 38.29 per cent of the total business secured by Agents in 1964-65 is on the high side. Greater efforts are therefore needed to gear up the sales promotion machinery of the Corporation so that the large commission paid to the travel agents could be saved. The saving should be utilised for providing better amenities to the passengers and in opening more booking offices, particularly in the District Headquarters and Commercial Centres. Effort should also be made to reduce the number of travel agents.

M. Opening of Sales Reservation Offices abroad

125. A Committee on Tourism headed by Shri L. K. Jha had recommended that with a view to developing tourist traffic in India, the Corporation should get itself better known abroad. In pursuance of this recommendation the Corporation had proposed the opening of sales offices at New York, Frankfurt, Geneva, Tokyo, San Francisco and London. The proposal had, however, been kept in abeyance due to foreign exchange difficulties.

Corporation views on opening of Sales Reservations office abroad.

126. The Committee desired to know whether the Corporation's interests could not be looked after by Air India's offices abroad. The reply furnished to the Committee is reproduced below:—

- (i) Air India offices abroad do not have intimate knowledge of IAC's schedules.
- (ii) IAC's own staff having intimate knowledge of its operations will be able to sell much better in the foreign markets by offering alternative dates or routes for traffic if seats on the dates required or on particular routes cannot be obtained.
- (iii) IAC should not present an image abroad of being a subordinate organisation of Air India. Foreign tourists and foreign travel agents who give business to IAC patronise not only Air India but also other international airlines. It would not be advisable, therefore, to create an impression that IAC would be only serving the interests of Air India though in actual practice IAC may be in a position to indirectly help Air India besides other international airlines.

127. IAC has, however, no objection to opening offices in the Air India premises if identity of IAC is kept separate from that of Air India.

128. According to the preliminary estimates, the expenditure for the establishment of Sales/Reservation offices at four places i.e. New York, London, Tokyo and another suitable centre on the Continent is estimated at approximately Rs. 3.25 lakhs per annum. The Corporation's view is that it earns about Rs. 4 crores annually in foreign exchange and as against that an expenditure of Rs. 3.25 lakhs per annum on the opening and maintenance of these offices abroad would not be in excess. Further, these offices would promote tourism and this investment in foreign exchange would be more than repaid in a short while.

129. The Committee understand that though some of the domestic carriers like British European Airways and American Airlines have opened their offices abroad, this practice by and large is not common. Further these airlines also operate international services, and therefore there is no parallel with the Corporation which operates mostly domestic services.

Greater liaison with Air India and Tourist offices suggested.

130. The Committee are not convinced that there is a case for opening of I.A.C.'s offices abroad at stations where it is not operating its services. Air India offices abroad as also those of the Tourist Department of the Government of India should normally be able to look after its interests abroad. What is needed is that there should be a greater liaison with the Air India's and Indian Tourist offices which can be kept by supplying them upto date information and schedules of services.

N. Amenities to through passengers

131. The Committee desired to know whether any facilities are provided to passengers who, due to delay in one flight, miss a connecting flight and are thus stranded for several hours or till the availability of the next flight. The General Manager stated that such a passenger was provided with hotel accommodation etc. When asked whether any passenger had till now utilised this facility, it was stated that if a passenger insisted he would probably get it. It appeared that this facility was not commonly known to passengers. The General Manager agreed to publicise about the availability of such a facility and also to issue necessary instructions in this regard to the various offices.

132. Another point raised was whether a passenger travelling from one place to another should not be treated as a through passenger—if there is no connecting plane—in which case accommodation and other facilities could be provided by the Corporation. The General Manager stated that this suggestion would be considered, but he felt that in such cases meals could certainly be provided.

Publicising of facilities to passengers.

It is surprising that the facilities supposed to be available to passengers for missed connections are almost unknown to the travelling public. Adequate publicity should be given to this and lodging and other necessary facilities provided to all passengers entitled to them. Boarding and lodging facilities to through passengers who are forced to break journey in the absence of a connecting flight might be provided.

O. Catering facilities

133. The Committee referred to the fact that the quality of the food served at the airport restaurants is very bad. Also, no restaurant is available near most airports with the result that a lot of inconvenience is caused to the passengers. The General Manager agreed that there was a widespread complaint about the quality of the food served at the airport restaurants, but added that the caterers were under the control of the D.G.C.A. As regards service within the aircraft it was stated that special attention was now being given to this and it was proposed to reorganise the catering department and to employ chefs who could suggest better menus.

In their Report on Air India, the Committee have dealt with the question of contracts given to caterers at the international airports in India. As regards service in the aircraft, there is a genuine ground for complaint regarding quality of food. The Corporation should improve its catering department and also strive to get satisfactory service from the caterers appointed by the D.G.C.A. and if necessary.

sary by making alternative arrangements for supply of good quality food.

P. General Complaints ..

134. In the course of discussion with the officials of the Corporation, the following short-comings in organisation were brought to the notice of the Corporation:—

- (i) All the booking counters are not manned. During rush hours people have to wait in the queue for long.
- (ii) In big cities there is heavy rush at the booking counters. It would be desirable to have separate counters for major routes and for minor routes counters can be clubbed.
- (iii) The Duty Officer posted in booking Offices, whose duty is to assist the passengers, does not attend to any enquiries.
- (iv) There is no procedure regarding allotment of seats in the plane. Important passengers are given a front seat, while others, unless they insist, do not get it.
- (v) Passengers' baggages are hand-led in a disorderly manner—they are thrown and get damaged. The men employed on loading and unloading work should be given the necessary training.
- (vi) In airports in bigger cities, it takes a considerable time to clear the baggage if a number of aircraft arrive one after another. Also, in smaller stations like Hyderabad and Bangalore, it takes more than 40 minutes to clear the baggage of even one plane.
- (vii) Microphone systems at the airports are not good.

135. During the course of examination of the working of the Corporation, the Committee received a number of complaints about its working. Some of these are summarised below:—

- (i) Standard of efficiency and courtesy of the Corporation's staff was low and that prompt replies to correspondence was not a common feature.
- (ii) While adequate publicity was given to IAC schedules, variations issued subsequently were often not announced before they were implemented.
- (iii) Flights were often delayed and the passengers were not informed beforehand.

- (iv) Ambulance and Fire Fighting Equipments at the runways were inadequate.
- (v) Arrangements for training of staff were primitive.
- (vi) Instructors chosen for training of pilots were in many cases temperamentally unsuitable. Often they were found to be less proficient than the persons to be trained.

136. During evidence, the General Manager stated that the Corporation had opened a new Department at Headquarters called the customers Service Department and a Special Complaint Cell had been organised there. Similar Cells were now operating in other areas as well.

137. *The various public complaints and deficiencies in organisation some of which have been mentioned above, should be examined and improvements effected. It is the general view and also the experience of the Members of the Committee that complaints are not attended to promptly. The hall mark of efficiency of a public utility undertaking lies in its readiness to learn from mistakes and drawbacks and to act promptly on complaints received. The institution of complaint cells for checking up and processing the follow up action is a step in the right direction. These cells should be under the charge of responsible and energetic officials who can initiate quick remedial action in regard to complaints. A complaint book should be kept in each aircraft. The customer's satisfaction and convenience should invariably motivate all activities of the Corporation.*

ENGINEERING & AIRCRAFT MAINTENANCE

A. Engine and Airframe Overhaul

138. The following table shows the average man hours spent on overhaul of engines fitted on different types of aircraft:—

Type of Engine	Type of aircraft	Average Man-hours		
		1962-63	1963-64	1964-65
P. & W.R. 1830-92	Dakota (at Delhi) (at Calcutta)	1733 1329	1593 1388	1447 1380
P. & W.R. 2000—D5	Skymaster .	1474	1564	1531
Dart—510 .	Viscount	1362	1417	1717
Dart—511 .	Friendship .	1535	1903	1639

139. It is seen that as compared to 1962-63, the average man-hours spent on overhaul of engines has increased in 1964-65 in the case of all the types of aircraft. In the case of Viscount engine overhaul the man-hours spent increased from 1417 hours in 1963-64 to 1717 hours in 1964-65 showing a rise of 21 per cent. Similarly in the case of Friendship engine overhaul the man-hours increased from 1535 hours in 1962-63 to 1903 hours in 1963-64 showing a rise of 24 per cent.

140. The table below shows the average man-hours spent on airframe overhaul of Skymasters, Viscounts and Friendships:—

Type of Aircraft	(Average man-hours)			%rise in 1964-65 over 1963-64
	1962-63	1963-64	1964-65	
Skymaster . . .		4954	7245	46
Viscount .	12378	13638	15618	15
Friendship . . .	4334	5155	7010	36

141. Thus during 1964-65 there has been an increase in the average man-hours spent on airframe overhaul for the above types of aircraft. The above increases are also reflected in the average costs for overhaul of airframes as indicated below:—

Average cost per airframe overhaul				
	Rs.			
	1963-64	1964-65	% increase 1964-65 over 1963-64	
Skymaster				
Check III Inspection	.	24011	37232	55
Check IV Inspection	.	36744	53341	45
Viscount				
Check III Inspection	.	60671	94934	56
Check IV Inspection	.	112636	160438	42

142. In evidence it was stated that the increase was partly due to a number of modifications that had to carried out on the aircraft.

143. From the figures given above it appears that the efficiency of the overhaul shops has considerably deteriorated. Even if it is assumed that the rise in average costs has been due to increase in wages, cost of spares parts etc., there is no reason why the average man-hours spent should increase in one year by 36% in the case of Friendship aircraft, while in the case of Skymaster aircraft it is 46%. There should have been some uniformity in the percentage increase which is very much on the high side. The reasons for these increases should be investigated and steps taken to improve the efficiency and output of the workshops.

B. Reorganisation of Engineering Department

144. To some extent there has been rationalisation of Corporation's workshop as indicated below:—

Type of aircraft	Base at which engine overhaul work done	Base at which airframe overhaul work done.
Viscount	Delhi	Delhi.
Friendship	Delhi	Calcutta
Skymaster	Calcutta.	Calcutta.
Dakota	Calcutta & Delhi.	Calcutta Hyderabad & Delhi.
Caravelles	Bombay (at Air India's Bombay Bombay Jet Over- haul Shop)	Bombay

145. Broadly, the Corporation's fleet is based at Bombay (Caravelles), Calcutta (Friendships), Delhi (Viscounts) and Hyderabad (Dakota). In this connection the following extract from the Annual Report of the Corporation for the year 1964-65 is relevant:—

"The country-wide dispersal of operations and this distribution of engineering base poses several personnel, stores and work-load problems the solution of which taxes the resources and ingenuity of the engineering organisation. A re-organisation of the engineering system, procedures and practices which have grown somewhat haphazardly is long overdue."

146. Government had appointed a Committee consisting of the Director-General of Civil Aviation and Heads of Engineering Departments of the two Air Corporations to go into the various Engineering problems. The main recommendations of that Committee are the setting up of a production planning section, material planning and provision section, engineering and technical development section, defect investigation section, increase in the strength of the air training schools for the training of mechanics, introduction of refresher courses for maintenance engineers and mechanics etc. One of the main recommendations is the prescribing of higher educational qualifications for the initial recruitment in the mechanics grade and introduction of quality control methods in the inspection organisation of the Corporation.

Reorganisation
of Engi-
neering
Depart-
ment.

147. Judging from the rate at which there has been an increase in the man-hours spent on overhaul of engines, cost of repairs and maintenance, and also the delays in flights due to mechanical troubles, it seems that all these aspects require immediate attention of the Corporation. The Committee hope that the reorganisation proposed by the Corporation will improve the situation

One Base
for main-
tenance
and
overhaul
of single
type of
aircraft
sugges-
ted.

148. There is another aspect to which attention might be paid. During the Fourth Five Year Plan period, the Corporation will replace certain types of aircraft by new ones. This would necessitate reorganisation of the existing workshops to enable it to change over to new types of aircraft maintenance. The Committee suggest that in the new set up there should be one Base only for maintenance and overhaul of a single type of aircraft as it would be conducive to maximum utilisation of manpower and machine capacity.

149. It was noticed that the overhauling capacity of engines fitted in the Viscount aircraft was developed several years after their introduction into the Corporation's service. Initially, the Caravelle Engine had also to be

sent abroad for overhauling. When new types of aircraft were introduced, timely action should be taken to develop overhauling capacity so as to obviate the necessity of sending their engines abroad.

C. Indigenous Manufacture of spare parts

150. The table below gives the items that were procured from indigenous sources during the previous three years:—

	(Rs. in lakhs)		
	1961-62	1962-63	1963-64
(i) Aircraft Batteries .	0.11	0.31	0.58
(ii) Dopes, Paints and Thinners .	1.30	0.60	0.80
(iii) Aircraft Tyres. .	4.44	0.60	1.82
	<hr/> 5.85	<hr/> 1.51	<hr/> 3.20

151. The total value of aircraft material purchased during 1963-64 was Rs. 181.60 lakhs. Thus the value of material purchased indigenously to total purchases made, expressed in percentage, comes to 1.8 per cent.

152. The Corporation has stated that their engineering facilities are limited to the maintenance, overhaul/repairs of engines, airframes and accessories. The spares are proprietary items and can be manufactured only in collaboration with the manufacturers. Even if it is decided to manufacture spares in collaboration with the manufacturers, it would involve a large outlay in machinery and tools and, therefore, it is not considered worthwhile to embark on such projects, in view of their limited requirements. General items like dopes, thinners, and paints are procured from indigenous sources. During evidence it was stated that Hindustan Aeronautics Ltd. was attending to the question of indigenous manufacture of spares in a small way. The Corporation was informed about this in March, 1965 only. In November, 1965 a list of certain parts had been sent to Hindustan Aeronautics Ltd. for exploring the possibility of undertaking their manufacture. A Committee had been set up under the Defence Ministry with the representatives of the Air Corporations to see the parts that could be manufactured in the country particularly the spares such as wheels, tyres, tubes, aluminium sheets etc. As regards the setting up of joint manufacturing units in India, it was stated that the Corporation had in its fleet different types of aircraft and each manufacturing country had a very elaborate precision workshop to manufacture them. It was, therefore, neither possible nor economical to set up such manufacturing units for spare parts in India.

More
indige-
nous
manu-
facture
of spares
suggest-
ed.

153. It is noticed that the value of material purchased indigenously to the total purchases made was 1.8 per cent only in 1963-64 which must be considered as insignificant. The Committee appreciate the limitation on manufacture of items of a proprietary nature and that manufacture of spare parts for different types of aircraft will not be economical. Yet, to depend on imported spares to the extent 98 per cent is not desirable. It is apparent that no serious thought was given to the possibility of manufacturing aircraft items in the country until quite recently. In view of the foreign exchange difficulties and to attain self sufficiency the manufacture of spare parts in the country to a large extent must be undertaken immediately.

VI INVENTORY CONTROL

A. Inventory

154. A statement showing the value of inventory of aircraft material, actual consumption and ratio of consumption to stocks as at the end of the last four years is attached.

Year	Inventory of Aircraft Material			Consumption			Ratio of consumption of consumable spares (excluding value of rottables scrapped) to stock-holding of consumables (excluding value of rottables i.e. III-B (-) II-B)
				A	B	C	
	Rottables	Consumables	Total	Rottables Scrapped	Other Consumables	Total	
(Rupees in Lakhs)							
1961-62	170.13	336.38	506.51	15.36	85.66	101.02	1 : 3.9
1962-63	156.32	350.62	486.94	29.82	118.18	148.00	1 : 2.8
1963-64	211.12	385.00	596.12	17.84	117.97	135.81	1 : 3.2
1964-65	261.50	417.12	678.62	15.09	119.09	134.18	1 : 3.4
1964-65 (excluding Caravelle Rottables Investment)	191.42	342.94 (excluding Caravelle Rottables)	534.36 (excluding Caravelle)	14.81	111.35	126.16 (excluding Caravelle Rs. 0.28 (Lakhs))	1 : 3

156. The Corporation has mentioned that *Rotables are not charged to consumption on issue. As and when they are declared beyond economic repairs they are scrapped and charged to consumption. To arrive at a correct comparison of consumption of material and total stock-holding, the Corporation considers it essential that the value of inventory be reduced by Rotables holding and similarly the consumption figure does not include value of rotables scrapped in any one year. The ratio given in column IV of the above statement thus indicates consumption of consumable spares to stock-holding of consumables. In the statement the relevant figures for 1964-65 have separately been shown after excluding the Caravelle spares. It is stated that this is a new type of aircraft and the stock holdings are not being used to the fullest extent as overhauls and repairs are only gradually falling due.

Holding of consumable spares high.

157. *The Committee note that even after the value of rotables and Caravelle consumable stores are excluded the total value of stock holding of consumables as at the end of 1964-65 amounted to three years consumption. The Corporation has stated that the maximum level of stock holding of imported stores and spares is 18 months. In the case of stores available from indigenous sources the maximum level is 6 months. According to this the holding of consumable spares equivalent to three year's consumption is high. Efforts should be made to bring down the level of inventory.*

B. Heavy accumulation of stores

158. Audit Reports for the year 1962-63 and 1963-64 referred to heavy accumulation of rotables in the repairable stores and stock sections of the Corporation. It has been stated that in the case of Dakotas, because of progressive reduction of the fleet, a considerable amount of rotables had accumulated in the workshop. It was not considered economical to repair all the items, as certain spares required to make them serviceable would have to be imported. A survey recently undertaken, had indicated that an amount of Rs. 5 lakhs in respect of rotable stores beyond economic repairs would have to be written off.

Accumulation of stores to be avoided.

159. *It is seen from the above that the accumulation of stores has been because of the delay in conducting surveys of usable and un-useable stores. Such accumulations should be avoided and a proper procedure laid down whereby the value of stores is determined every year.*

*Rotable is a component which has a known overhaul life (usually expressed in flying hours) and is capable of an infinite number of overhauls.

C. Inclusion of value of non-existent structures/fixtures in the Gross Block

160. It has been pointed out in para 6II(i) of the Audit Report for 1963-64 that the structure and fixtures of a temporary nature (depreciated value over Rs. 10,399.90) which had been found non-existent by the Reconciliation Committee in Calcutta Area, were included in the Gross Block.

161. The Corporation has stated that it had inherited quite a few structures and fixtures from ex-operators in accordance with the Air Corporations Act, 1953 and subsequently some structures of temporary nature were also constructed in rented plots/premises. The reconciliation of this class of asset was taken up for the first time in 1963-64. For this purpose the physical existence of these structures and fixtures was ascertained, and it was found that items for Rs. 2.10 lakhs were still existing and in good condition and that items for Rs. 1.09 lakhs were no existing. The latter *inter-alia* included false ceilings, mural paintings, underground drainage, bamboo shed/godowns, floorings, fencing, remodelling of rented premises/plots, partitions and alterations, etc.

162. The Committee desired to know why the value of these structures was included in the Gross Block when they were in fact non-existent. The General Manager stated that it was a case of wrong entry. Instead of charging these items to revenue expenditure, these were charged to capital head. It was added that the Calcutta Area of its own accord did not write back these items to revenue expenditure head because these had appeared in the Balance Sheets as "Gross Block". The Additional Deputy Comptroller and Auditor General (Railways) pointed out that when these items were found to be non-existent, these should have been written-off from the capital head. The reconciliation of this class of asset was taken up for the first time in 1963-64, i.e., ten years after nationalisation is rather surprising.

163. The detailed list of non-existent items, which has been supplied to the Committee, shows that quite a number of those items need not be charged to revenue expenditure in as much as they could appropriately be regarded as capital assets. The items in question should be properly classified as between capital and revenue expenditure and adjustments carried out in the accounts.

164. It appears that the reconciliation of this class of assets was done only in the case of Calcutta Area. It is probable that in other Areas also the value of several non-existent structures has been included in the accounts. Reconciliation of such items in other Areas should be done forthwith, if not done already.

Proper classification and adjustment of accounts.

Reconciliation of assets in other areas also suggested.

D. Defective Stores and Equipments

165. It is pointed out in para 5 of the Audit Report for 1963-64 that in the following cases, stores and equipments purchased were defective and hence could not be used:—

- (i) 200 pieces of spare parts purchased during 1960 at a cost of Rs. 31932/- (approx.) had not been put to use on the ground of their being under-sized.
- (ii) Seven Catering Trolleys purchased during 1959 and 1960 at a cost of Rs. 12900 had not been put to use on account of their being very heavy and, therefore, unsuitable for carrying items from the catering section to the aircraft.
- (iii) One battery charger purchased in 1963 at a cost of Rs. 4,000 had not been put to use as it was not in a working condition.
- (iv) A Kerosene cooking range purchased in 1960 at a cost of Rs. 7,850 was found to be unfit for use.

166. The General Manager explained the circumstances in which these stores had been purchased and were later found to be defective. Regarding 200 pieces of spare parts, he stated that these were valves purchased through recognised channels in the U.S.A. and were certified as conforming to specifications by the Federal Aviation Agency in the U.S.A. as well as by the Civil Aeronautics Board, both Governmental Organisations.

167. These goods were also inspected by the Corporation's agents *viz.*, the Bureau Veritas which is the extension of French Inspection Organisation in the U.S.A. The inspection people, however, failed to detect that the valves were slightly of an under-size. The efforts of the Corporation to return these goods to the suppliers also did not succeed as they refused to accept any responsibility for the goods once the inspection had been done by the Corporation's agents. The Corporation's agents also did not accept responsibility on the plea that the items had been certified by a Government agency and they (Agents) also found that the items appeared satisfactory. In reply to a query it was stated that the variation of size was $1/6000$ th of an inch. The value of the goods was completely lost as, being specialised items, these could not be sold. Some catering Trolleys and battery charger had been repaired and were being used now. The cooking range was found to be unfit for use. The General Manager said that he would see if it could be disposed of.

188. From the above it is clear that the Corporation's Respon-
agents in the U.S.A. did not inspect the valves with the sibility
meticulous care that was needed before certifying them. of inspec-
The responsibility of the inspecting organisation in such
matters needs to be precisely defined and incorporated in
an agreement so as to safeguard against any such failure
in future.

organisation
need to
be
defined.

E. Shortages of Stores

169. Para 6 III of the Audit Report for 1963-64 points out that shortages of stores of the value of Rs. 99,411 found in Delhi Area as a result of physical verification conducted during that year had neither been written off nor provided for in the accounts. These shortages also included a sum of Rs. 44,269 representing cost of bearings stolen from stores at Safdarjung in October, 1961, October 1962 and April 1963. When asked during evidence whether the Corporation had investigated the reasons for these shortages, the representative of the Corporation stated that the case had been handed over to the police and it was closed as untraceable. No departmental action had been taken against persons who were entrusted with the physical possession of stores because there were a large number of items in each store and further the stores were manned not by one person but by a group of persons working in shifts. It was, therefore, difficult to hold any one responsible for the losses.

170. It is noticed that the thefts occurred at Safdarjung ~~Thefts~~ Stores Depot in October, 1961, October, 1962 and April, in Stores. 1963. The Committee are intrigued how these thefts continued without being detected though their dates are known. It is surprising that the responsibility for these losses could not be fixed on any person. The Committee are unable to accept the plea that this was because people were working in shifts. The obvious reason appears to be that those who should have investigated into them failed to fix responsibility for some reason on the other. The Committee understand that security measures for keeping proper custody of stores have now been strengthened.

F. Physical Verification of Stores etc.

171. According to Rule 8 of the Air Corporations Rules, 1954, a physical verification of stores, tools and plants was required to be made by an officer who was not the custodian thereof. As the physical verification of stores and other assets every year was found inconvenient, the Air Corporations Rules were amended to allow the physical verification in such a way that every item of stores, tools and plants was verified at least once in two years.

172. It is stated in para 6(iii) of the Audit Report for 1961-62 that the first biennial verification was due in 1960-62 but by 31st March, 1962 the work of verification was not

completed. Hence the excesses/shortages of stock had not been completely brought into account. The results of physical verification together with the orders of the Corporation for any shortages and excesses of stores and tools and plants were also not communicated to the Comptroller and Auditor General of India till February, 1963. (These are required to be submitted under Rule 8 of the Air Corporations Rules, 1954).

173. Audit Report for 1963-64 pointed out that the biennial progressive verification of stores for the years 1962-64 had been completed in March, 1964 by the Internal Audit Department in Delhi Area except in the case of Palam Stores and the physical verification in other areas was in progress.

174. In the Audit Report for 1964-65 it was stated that shortages and excesses amounting to Rs. 1.03 lakhs and Rs. 1.13 lakhs respectively reported to the Board of Directors in August, 1963 as a result of physical verification and reconciliation for the cycle 1960-62 had not been adjusted.

G. Physical Verification of Assets

175. In para 6II (ii) of the Audit Report for 1963-64, it was stated that the physical verification of most of the assets as on 31st March, 1964 had not been carried out. The figure exhibited in the Balance Sheet represented the value as per the General Ledger which had not been reconciled with aggregate value of assets as per the assets value registers/Kardex. In para 4I(ii) of the Audit Report for 1964-65, it was pointed out that the physical verification of assets was stated to have been completed in April, 1965 at various places, but neither any reconciliation had been carried out, nor had adjustments for shortages and excesses been made in the accounts for 1964-65.

176. In a Memorandum placed before the Board of Directors on the 5th August, 1963 it was mentioned that with various types of aircraft and aero-engines and with over 200,000 different categories of stores, it was proving exceedingly difficult to maintain the records up-to-date and to reconcile the stocks with books. The only effective remedy seemed to be to utilise accounting machines and mechanising stores accounts. During evidence the General Manager, however, admitted that there had been some lapse in that physical verification of stores etc. had not been carried out expeditiously.

Delay in physical verification of Stores.

177. The audit comments on the physical verification of stores and other assets of the Corporation reflect a very unsatisfactory state of affairs in its Stores Department. Physical verification of stores in an undertaking by scheduled dates is an imperative necessity. It becomes difficult to make adjustments and fix responsibility when discrepancies come to light after a belated verification. Such inordinate delays in the physical verification of stores do not bring credit to the Management.

ORGANISATION, PERSONNEL AND OTHER MATTERS

A. Board of Directors

178. Section 4 of the Air Corporations Act, 1953 provides for a Board of Directors consisting of not less than five and not more than nine members appointed by the Central Government, one of whom is appointed as Chairman of the Corporation. The present Board of the Corporation consists of nine members, eight of whom are also represented on the Air India Board.

(i) Chairman

179. The Secretary, Ministry of Civil Aviation (now Secretary in the Ministry of Transport and Aviation, Department of Aviation) has been appointed as a part time Chairman of the Corporation with effect from 1st November, 1964.

180. The Estimates Committee have time and again expressed the inadvisability of associating senior secretariat officials on the Board of Directors of Public Undertakings. They have pointed out that (i) the practice leads to blurring of responsibilities of the Secretary of the Ministry who has to advise the Minister on matters of policy while at the same time, as a Member of the Board, he has to share responsibility for the execution of those policies and (ii) it is not possible for such an official to give sufficient attention to the affairs of the undertakings in addition to performing his normal duties.

Observations of
Estimates
Committee.

181. The Committee drew attention to the decision taken by Government in 1961 that "no Secretary of a Ministry/Department shall be a member of any Board", and enquired to know the specific reasons which necessitated the appointment of the Secretary of the Ministry of Civil Aviation as Chairman of the Corporation. The reply furnished to the Committee is reproduced below:—

"With the appointment of a whole-time General Manager in November, 1957, it was decided that the Chairman of the Corporation need be only on a part-time basis. In June, 1964, the Department of Civil Aviation was separated from the Ministry of Transport and a new Ministry of Civil Aviation was created. This was comparatively a lighter charge for a whole-time Secretary and in course of time the need was also fe-

that an officer having adequate administrative experience and one who could also devote more time to the affairs of the Corporation, should be appointed as its part-time Chairman to tone up administration and streamline its affairs. Shri V. Shankar was accordingly appointed from 1st November, 1964, in view of his past background of nearly 4 years experience as part time Chairman of the I.A.C. and the fact that he would be in a better position to devote necessary time and attention to the affairs of the Corporation. In his capacity as Chairman, Shri Shankar has also functioned as a Director of Air-India Corporation.

This arrangement has been found to have worked very satisfactorily in so far as it has helped to secure better and more effective co-ordination between the Indian Airlines, Air India and the Civil Aviation Department. At the same time, it has in no way compromised the objective approach of the Ministry to the working of the Corporation."

182. During the discussion which the Committee had with the Secretary of the Ministry, the following points were put forward:—

- (i) In certain cases with the approval of the Cabinet or Appointments Committee of the Cabinet exceptions have been made and the appointment of the Secretary of the Ministry as Chairman of the Corporation is one of those exceptions.
- (ii) The light charge of the Ministry of Civil Aviation for a senior Secretary, the need for co-ordination between the D.G.C.A. and the need to give a fresh look to the working of the I.A.C. were the main considerations in making exception to the general rule.
- (iii) If there is a change in the personnel, Government would reconsider whether the new Secretary of the Ministry should also be appointed as the Chairman of the Corporation.
- (iv) Under the present arrangement conflicts between Government's views and those of the Corporation are resolved by discussions at the Board meetings. If a particular issue affects Government's policy, the practice is that the Secretary of the Ministry does not express his views but allows the General Manager to take a decision and communicate it to the Government. Thereafter Government examines the proposal from its own point of view.

183. The Committee are not convinced that the interests Practices of either the Government or the Corporation can be best of served by the Secretary of Ministry being the Chairman appoint- of a Corporation. The Estimates Committee have pointed out the defects in such an arrangement, and there should not normally be an exception to the general rule. However hard a person works objectively and balances the two interests, when interests conflict, it is not possible to take a detached view. In fact in the formulation of a decision within the Ministry the officials of the Ministry are likely to assume that the view of the Corporation have the approval of the senior most executive of the Ministry and as such their views are likely to be biased. Another drawback in such an arrangement is that the presence of a senior most officer of the Ministry in the Board hampers the autonomous functioning of the Corporation and does not provide sufficient incentive to its chief executive to take independent decisions, howsoever he may try to do so. The Committee also do not agree with the plea that proper co-ordination between the DGCA and the Air Corporations can be maintained only by having the Secretary of the Ministry as the Chairman of the Corporation. These are in fact matters which should be settled at Departmental levels. The present arrangement of having the Secretary of the Ministry as the Chairman of the Corporation is not satisfactory and should be ended.

(ii) Changes in the posts of Chairman/General Manager

184. The following dates indicate the period for which the various Chairmen and General Managers of the Corporation held their respective posts:—

Chairman

1. Shri B. C. Mukerji	.	.	.	23-6-1953 to 10-3-1954
2. Shri Shankar Prasad	.	.	.	10-3-1954 to 10-1-1959
3. Shri V. Shankar	.	.	.	10-1-1959 to 16-1-1963
4. Shri Satish Chandra	.	.	.	16-1-1963 to 1-11-1964
5. Shri V. Shankar	.	.	.	1-11-1964 to date

General Manager

1. AVM P. C. Lal	.	.	.	21-11-1957 to 30-9-1962
2. Shri S. Mallick	.	.	.	1-10-1962 to 16-11-1963
3. Shri J. S. Parikh	.	.	.	17-11-1963 to 18-11-1965
4. Shri A. S. Bam	.	.	.	13-12-1965 to date

185. It is noted that the Chairman appointed on 16.1.1963 held office for about 22 months. The General Manager appointed on 1.10.1962 held office for a little over one year and the one appointed on 17.11.1963 continued for two years.

186. The Secretary of the Ministry stated during evidence that yearly or two-yearly system of appointments was

neither good for the Corporation nor for the incumbent. The General Manager appointed on 1.10.1962 was on deputation to the Centre and he had to revert after a year to the Government of West Bengal. His successor could have continued for three years more but he retired earlier and preferred another employment offered by the I.A.T.A. The representative of the Ministry added that, in appointing the present incumbent as General Manager, a long term view had been taken.

Observations of Estimates Committee.

187. The Estimates Committee have, in paras 45 and 48 of their 52nd Report (Third Lok Sabha), observed that frequent changes of the incumbents of posts of Chairmen and Managing Directors are not desirable in as much as this results in a waste of experience and intimate knowledge acquired by the individual. That Committee had recommended that the incumbents of these posts should be selected carefully and appointed for a minimum term, say 5 years, so as to enable them to fully implement the plans and programmes entrusted to them and to contribute to the efficient and economic working of the enterprise concerned. At the same time, the tenure of these posts should be linked up with the performance of the individuals concerned so that it should always be possible to remove unsuccessful or inefficient persons before the expiry of their term. In selecting Chairman or General Manager of the Corporation those recommendations should be borne in mind.

B. Creation of separate Area for Southern Region

188. For the purpose of administration and operation the Corporation has divided its operational territory into three units called areas located at Delhi, Calcutta and Bombay, with a sub-area at Madras. There are 18 stations under Delhi area, 29 under Bombay area and 22 under Calcutta area.

189. There is a feeling that the Southern region is not getting adequate attention, as it was pegged down to Bombay. Besides, the expansion of the Corporations services in the South had been of sufficient magnitude as to justify a separate Area by itself. The Corporation has accepted this in principle and the details are being worked out. The proposal is expected to be implemented during 1966-67.

190. The following Stations are at present controlled by the Madras sub-Area:—

Bangalore, Cochin, Coimbatore, Madras, Madurai, Trichy and Trivandrum—7 stations.

191. It has been proposed that the new Area for the Southern region might be constituted with the following stations:—

Bangalore, Cochin, Coimbatore, Colombo, Hyderabad, Madras, Madurai, Mangalore, Trichy, Trivan-

drum, Vijayawada, and Visakhapatnam—12 stations.

192. There is a case for a separate Area for the Southern Separate region. This would ensure greater co-ordination, control Area for and general supervision over the activities of the stations in Southern that region. The Committee, however, expect that the con- region sequent increase in overheads and other expenditure would suggest be adequately compensated by increase in business and ed. efficiency of the Corporation.

C. Absenteeism and Overtime Payments

193. The average incidence of absenteeism during the year 1964-65 amongst the staff in the engineering organisation and traffic department was as follows:—

	Engineering (%)	Traffic (%)
Bombay	12	23
Hyderabad	15	..
Madras	16	..
Delhi	19	15 to 20
Calcutta	25	12

194. The Corporation considers that the rate of absenteeism in its various Departments is fairly high. In 1961 certain rules were framed with a view to improving productivity but they failed to achieve the results.

195. As regards overtime payments, the Corporation stated that all efforts would be made to implement the recommendations of the P.A.C. contained in para 21 of the twenty-third Report (Third Lok Sabha) to the effect that steps should be taken to reduce the payment of overtime allowance. The incidence, however, continues to show an upward trend as would be seen from the table below:—

	Overtime allowance including holiday overtime (in lakhs of Rupees)	percentage of overtime to wages
1958-59	22.07	
1959-60	26.79	
1960-61	46.66	
1961-62	56.04	
1962-63	64.14	
1963-64	51.52	9.7%
1964-65	79.81	13.4%

196. From the detailed information supplied to the Committee, it was noticed that the overtime allowance (excluding holiday overtime) paid to the Engineering staff had increased from Rs. 15.69 lakhs in 1963-64 to Rs. 31.55

lakhs in 1964-65 showing a rise of about 100 per cent. In the case of staff employed on surface transport, the percentage of overtime to the total Pay and Allowances paid to them in 1964-65 was 25.56 per cent.

197. The Corporation has stated that according to the Award of the National Industrial Tribunal, 1958, Assistant Superintendents in the scale of Rs. 1200-75-1500 are also "workmen" even though their duties are mainly supervisory. The Aircraft Maintenance Engineers are also entitled to overtime. Their pay scales range from Rs. 450 to Rs. 880. These supervisory officers under whose immediate guidance and supervision the subordinate categories like mechanics and chargehands work cannot apparently be expected to be very effective in controlling overtime.

198. During evidence the representative of the Corporation stated that overtime became inevitable in certain cases, like payments made for work done on holidays, overtime paid to pilots for extra flying hours, payments made to traffic staff when a service was delayed. He, however, conceded that in the Engineering Department the element of overtime was definitely high. He was of the view that anything over 7 to 8 per cent of the total pay and allowances should be considered as more than a normal incidence of overtime. It was stated that the overtime payments also resulted due to inherent built-in features in the entire system itself. The Corporation had been making efforts to reduce overtime payments, but had not been very successful in this direction.

Reduction in Overtime payments suggested.

199. Absenteeism to the extent of 25 per cent or 23 per cent in the Engineering and Traffic Departments respectively is abnormal. Such absenteeism not only results in excessive overtime payments but also affects the efficiency and smooth functioning of the concerned departments. All aspects of absenteeism should be studied to evolve a proper procedure for grant of leave to staff and create conditions in which absenteeism can be kept within limits.

200. As regards overtime payments, the Committee see no reason why in the Engineering Department the overtime payments should have increased by 100 per cent. in 1964-65 as compared to 1963-64. This indicates the extent of inefficiency in this Department to which a reference has also been made in para 143 of this Report. This also reflects on the Management. The Committee are inclined to believe that in other Departments also there is scope for reducing overtime payments. They suggest that this matter should be reviewed and overtime payments reduced substantially. In this connection, as one of the steps to reduce such expenditure, the Committee would suggest that sanction of overtime payments should be given by officers who are themselves not entitled to it.

D. Staff Matters

Number of Employees

201. The table below gives the number of employees of all categories in the service of the Corporation and also the ATKM operated per employee during the years 1959-60 to 1964-65:—

Category	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
Operations	776	767	814	847	851	914
Engineering	3527	3545	3536	3710	3707	3857
Traffic and Sales	1957	1993	2040	2061	2283	2395
Finance, Audit and Statistics	1093	1092	1108	1094	1018	1087
Stores and Supplies	612	617	532	665	764	799
Surface Transport	656	672	648	653	672	743
Catering & Cabin	303	269	281	286	288	318
Administration	619	606	603	759	880	926
TOTAL	9553+8	9561+1	9562+513	10075+388	10463+576+	11039
ATKM operated per employee	11617	11824	12632	13506	12919	14219

202. A general review of the staff requirements was carried out in the year 1959-60 and a new standard force was sanctioned. Subsequent increases in the standard force have been made from time to time according to requirements. A firm of Efficiency Experts—M/S. IBCONS—were asked to make staff assessment of the Central Revenue Accounts at Headquarters and of the Traffic Department of Delhi Area. M/S. IBCONS carried out the assessment in 1963-64 and indicated some over staffing. Their recommendations could not be accepted in full because of different yardstick adopted in judging work-load. However, adjustments were made in the subsequent years while sanctioning further staff owing to increase in business.

203. The Corporation is conscious that the efficiency and output of its employees is slightly less than that of other foreign airlines, because the conditions of work are not the same. As for instance, a greater degree of mechanisation in foreign airlines helps in increasing the output per worker, whereas in the Corporation mechanisation is in a smaller degree.

204. The increase in staff from year to year has been attributed to the increase in business and work-load of the Corporation. While this is understandable, every increase in business should not necessarily be followed by an increased in staff. In any large organisation there is ample scope for simplifying procedures, introducing labour-saving devices etc., so that the staff rendered surplus thereby could

be diverted to cope with the work created by increase in activities. The Committee find that the public sector projects are over-staffed. It is expected that the Corporation will on its part try to allay these impressions by keeping its staff strength at the minimum level.

205. An over-all review of staff requirements should be made periodically to ensure that the disposition of the staff at various places actually conforms to the increase or decrease in the workload necessitated from time to time.

E. Housing Schemes

206. One of the grievances of the employees of the Corporation is that practically no housing accommodation has been provided for them. The efforts made by the Corporation in this connection are discussed below.

Housing Colony at Delhi.

207. A plot of land was acquired in Delhi in 1959-60 for the construction of staff quarters and construction was expected to begin in 1960-61. This plot had to be surrendered due to changes in local development plans. In 1962-63 a plot of 30 acres was acquired from the Land Development Authority and construction was expected to commence in 1963-64. The transaction could not be finalised because in the meantime the Delhi Development Authority was established and the plans had to be revised. The present position is that a plot near Palam measuring 30 acres has been allotted to the Corporation by the Delhi Development Authority.

Housing Colonies for Employees.

208. It will be noticed that although plans for construction of quarters in Delhi were initiated in 1959-60, it took six years for the Corporation to acquire a suitable plot for the purpose. The Committee appreciate the difficulties that are faced in acquiring suitable land in big cities. However, if serious efforts had been made to expedite the matter at various levels, there is no reason why the Corporation should not have succeeded earlier in its efforts. Presently, beyond acquisition of land, no progress seems to have been made towards construction of houses. The Corporation should attend to this matter urgently.

Housing Colony at Calcutta.

209. In November, 1962, the Corporation acquired 18.69 acres of land in Narayanpur Village, Dum Dum from the DGCA on lease basis for construction of staff quarters for its employees. After the expiry of about one year, the scheme was abandoned because of water logging of the site, certain portions being under height restrictions and high cost involved in development of land and construction.

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The abandonment of the scheme is likely to result in an infructuous expenditure of Rs. 1,63,039/- as detailed below:—

	Rs.
(i) Survey charges paid to the architect.	10,880
(ii) Claims by DGCA towards rent	140,684
(iii) Claim by Civil Engineer for detailed survey	11,475
	1,63,039

210. The representative of the Corporation stated in evidence that this land belonged to the DGCA and was selected as it was near the airport and the only land which was available for a Housing Colony. Subsequently the DGCA had some plan for the utilisation of a portion of this land for their own Fire Fighting School and other ancillary facilities and so it had to be given up. Later another land was offered to the Corporation. As regards the claim of DGCA for the payment of rent of Rs. 1,40,684 the Corporation had taken the view that since the possession of this land had not been taken they were not liable to pay any rent. No final decision had been taken in the matter. The claim by the Civil Engineer was also under dispute. Survey charges had, however, been paid to the architect.

211. It is now proposed to construct houses at the present site of the Corporation's workshops after these have been shifted to an adjacent land allotted by the DGCA. The construction is expected to proceed in stages as and when parts of the workshops are moved to the new site.

212. From the information originally placed before the ~~Delay in~~ Committee it was not clear as to why the scheme had to be ~~execution~~ abandoned. In the Audit Report for 1963-64 it is stated that of ~~Hous-~~ this was done because the land was not suitable. But at ~~ing~~ the time of evidence before the Committee the reason given ~~Schemes~~ was that a portion of the land was required by the DGCA for their own use. Whatever be the reason, the result is that the housing project of the Corporation has been delayed by about four years. If the selection of site at Narayanpur Village had been made after proper survey or the project had been executed expeditiously the need for making changes would not have arisen. The scheme should now be proceeded with expeditiously.

Housing Schemes at Bombay and Madras.

213. The Corporation has acquired land in Bombay (16 acres) and Madras (18 acres) for construction of houses for staff and the work is expected to commence shortly.

F. Recruitment and Training

(i) Pilots

214. Pilots training in the Indian Airlines Corporation is restricted to pilots employed by it for the operation of its services. No *ab initio* training is offered. The minimum qualification required for pilots joining the Corporation is a current Commercial Pilots Licence with a provisional endorsement on DC-3 type of aircraft. The source of supply of pilots with provisional endorsement on DC-3 type of aircraft had hitherto been the Civil Aviation Training Centre at Allahabad. The Flying School of this Centre was taken over by the Defence Ministry in May, 1963. Since then the Corporation has been recruiting pilots from the open market, Flying Clubs, Indian Air Force and the Auxiliary Air Force. Most of these new recruits require intensive training even to fly as co-pilots and it takes considerable time before they obtain their Pilot-in-Command endorsement even on DC-3 aircraft. The Corporation is likely to face a shortage of pilots for DC-3 operations.

215. An assessment of pilots required was made in November, 1961, and the estimated requirements for the years 1962 to 1971 were as follows:—

During Year	Number of new entrants
1962	10
1963	20
1964	35
1965	37
1966	40
1967	43
1968	44
1969	45
1970	47
1971	50

216. The Committee discussed with the Secretary, Ministry of Civil Aviation the reasons for the shortage of pilots and also the arrangements proposed to meet the shortage. His views are summed up below:—

- (i) The Training Centre at Allahabad was closed down because the I.A.F. took over the whole complex of buildings and the airport. Moreover, both the Air Corporations had felt that with the switch-over of operations from piston and turbo-prop to jets, the actual flying hours would decrease and the existing number of pilots would do.
- (ii) A Committee was appointed by Government to look into the question of recruitment of pilots in future. That Committee has recommended

the opening of a centre which would train pilots as well as engineers. For pilots training there are two proposals—one to give *ab initio* training and the other to recruit from Flying Clubs. The cost of *ab initio* training with link simulator works out to Rs. 2 lakhs per pilot. Through the Flying Clubs, the cost is Rs. 27,500 upto the stage of commercial pilots' licence, and to bring him upto the level of DC-3 pilots, about Rs. 16,000 have to be spent. The expenditure incurred by the Flying Clubs is subsidised by the Government to the extent of 80 to 90 per cent.

- (iii) Eventually it may be necessary to provide *ab initio* training at the new centre proposed to be opened and also to provide for recruitment through the Flying Clubs or through training in N.C.C.
- (iv) Now that the DC-3 aircraft is to be replaced by jets or turbo-jets, it would be necessary to do most of the training on link simulators. This equipment costs about Rs. 45 lakhs but it is necessary because, otherwise jet flying training would be very expensive.

217. In this connection the Committee have noticed *Impro-*
that in 1958 the requirement of pilots was estimated at 30 per asses-
to 45 pilots a year. The estimate was later revised to 30 sment
to 35 but in 1959 it was reduced to 10 pilots a year. These and
assessments had varied because of the Corporation's failure planning
to appreciate in time the introduction of heavier and faster for rec-
aircraft. From the foregoing paragraph it is seen that the ruitment
shortage of pilots since 1963 is due to the inability of the of
Corporation to assess its requirements correctly. When it pilots.
was noticed that there would be a shortage of pilots, the
Corporation had to make ad hoc arrangements to recruit
them from the Flying Clubs etc., and train them at its
own Central Training Establishment at Hyderabad. This
arrangement is most unsatisfactory. Proper planning
should be done to secure a regular flow of pilots according
to requirements.

218. As regards arrangements to be made for training of pilots in future, it would be desirable to open a centre for their training where candidates could be given *ab initio* training and further training imparted to those who are recruited from Flying Clubs etc. The burden of training cost falls on the Government in either case. What is important is that the training should be thorough and economical and there should be no duplication of efforts whether at the Flying Clubs, the Civil Aviation Training Centre or at Corporation's own Training Establishment at Hyderabad!

(ii) Radio Officers

219. At present all the Corporation Dakotas carry Radio Officers and the present equipment of these aircraft does not allow them to be operated only by two pilots. A Committee with Mr. Stephen Wheatcroft was appointed by Government to report on the cost structure of the Indian Airlines Corporation. That Committee had in 1959 recommended the radio conversion of the Dakota fleet for two-crew operations so as to obviate the necessity of carrying a Radio Officer on the aircraft. The Corporation has stated that they considered such conversion as uneconomical because the cost of converting 60 aircraft was estimated at Rs. 54.66 lakhs plus 96,000 man-hours and the cost of float and maintenance spares was estimated at Rs. 15 lakhs.

220. The Caravelles, Friendship and Viscount aircraft are fitted with radio telephony instrument but till December, 1965 the Corporation was employing Radio Officers on all these aircraft. It is stated that the Pilots Association took the stand that they did not consider HF/RT feasible in the country though they were using this only as a bargaining point in their negotiations with the Management.

Only recently the management succeeded in coming to an agreement with Pilots on the withdrawals of Radio Officers which was done from Caravelles, Friendships and Viscounts with effect from December, 1965.

Withdrawal of Radio Officers.

221. The Wheatcroft Committee had recommended immediate withdrawal of Radio Officers from the Viscount fleet in 1959. The Committee regret to note that it took more than 5 years to implement this recommendation. The Friendships and Caravelles were introduced later into the Corporation's services and it should have been possible to operate them without a Radio Officer from the very beginning. The nonwithdrawal of Radio Officers from the Viscount fleet for over five years and their introduction on the Friendships and Caravelles when they were not needed shows how ineffective the management of the Corporation has proved.

222. The Committee are informed that further recruitment of Radio Officers has been stopped. The two-crew operation is likely to be introduced shortly when the Radio Officers will become surplus to requirements. The Committee hope that efforts will be made to employ them for suitable jobs on the ground or in other allied organisations.

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VII.
FINANCE AND ACCOUNTS

A. Return on Investment

223. The table below gives the figures of capital (equity and loan), net profit and percentage of net profit to capital.

Year	(Rs. in lakhs)		Net Profit	% of net profit to total capital	% of net profit to Equity Capital
	Capital	Equity			
		Loan			
1959-60	763.90	763.90	7.81	0.5%	1%
1960-61	847.76	847.76	4.68	0.3%	0.6%
1961-62	960.99	960.99	7.88	0.4%	0.8%
1962-63	1073.99	1073.99	60.91	2.85%	5.70%
1963-64	1097.08	1097.08	104.42	4.75%	9.50%
1964-65	1097.08	1097.08	133.01	6.06%	12.1%

224. It will be seen that the rate of return on investment in the Corporation till 1961-62 was very low. This was so in spite of the fact that due to the interest holiday enjoyed by the Corporation, it was not required to pay interest on loan capital advanced by Government. In 1962-63 the net profit was Rs. 69.91 lakhs, but if the interest (Rs. 45.38 lakhs) on loan capital had not been waived by Government, the net profit would have been Rs. 15.53 lakhs. In 1963-64 the net profit was Rs. 104.42 lakhs, but if the interest amounting to Rs. 48.33 lakhs had not been waived, the net profit would have been Rs. 56.09 lakhs.

225. In the accounts for the year 1964-65, the Corporation for the first time made a provision of Rs. 49.37 lakhs which was charged to Profit and Loss Account. The net profit (after interest) in that year was Rs. 133.01 lakhs. The Corporation also for the first time proposed a dividend of 5 per cent on the equity capital and provided in the accounts of 1964-65 a sum of Rs. 55 lakhs for the purpose.

226. A steady increase in profits which has been noticed during the last three years augurs well for the future of the Prokter Corporation.

227. In 1965-66 the Corporation had budgeted for a profit of Rs. 1.47 crores, which, on an Equity capital of Rs. 10.97 crores, would have worked to 13.4 per cent. However, in view of the disruption of services during the period of the emergency and a rise in wages of the Pilots the Corporation is likely to end 1965-66 on a marginal profit only!

228. According to the estimates in the Draft Fourth Five Year Plan, the percentage of net surplus to total investment (Equity plus Loan Capital) and the percentage of net surplus to Equity Capital are indicated in the following tables:—

Year	Capital Investment			Rate of return on investment as a percentage of net surplus to total capital	Rate of return on investment as a percentage of net surplus to Equity Capital.	
	Equity	Loan	Total		%	%
(Rupees in Crores).						
1966-67	14.30	14.30	28.60	1.66	5.8	11.6
1967-68	17.66	16.66	33.32	1.04	3.1	6.2
1968-69	19.34	19.34	38.68	0.87	2.25	4.5
1969-70	21.1	22.19	44.38	1.86	4.2	8.4
1970-71	25.47	25.47	50.94	2.81	5.5	11.03

B. Current Assets and Current Liabilities

229. The table below gives the percentage of current assets to current liabilities:—

	(Rs. in lakhs)			
	1961-62	1962-63	1963-64	1964-65
(i) Current Assets . . .	1017.18	1071.24	1249.56	1288.17
(ii) Current Liabilities . . .	309.95	358.67	452.45	521.19
(iii) Percentage of current Assets to Current Liabilities. . .	328.17%	298.67%	276.16%	230.35%

230. The decline in the percentage of current assets to current liabilities from year to year indicates that the increase in current liabilities has been disproportionate to the increase in current assets.

231. The General Manager stated that these were mainly on account of the following factors; A (i) sum of Rs. 2.07 crores representing depreciation for the year 1964-65 had been removed from the cash and bank balances as shown under the head 'Investments as fixed deposit with the bank' as per policy adopted by the Corporation. This accounted for the slight decline in the amount of current assets on 31-3-1965.

(ii) The current liabilities had registered an increase mainly under the following heads: Incidence on account of the normal growth in business, provision towards interest on loan capital made in the account of 1964-65; increase in advance passenger receipts on account of increase in revenue collection; provision towards staff amenities made in the accounts of 1964-65, which were not made in the earlier years.

232. The Committee note the explanations given in ~~Dec 1964~~ regard to the decline in the percentage of current assets in the to current liabilities from year to year. They would, however, desire that the matter should be kept under constant of review.

percentage
current
assets to
current
liabilities.

C. Obsolescence Reserve

233. The table below gives the 'Obsolescence Reserve' which had been provided for in the Profit and Loss Account of the Corporation during the past six years:—

(Rs. in lakhs)

1959-60	16.51
1960-61	35.49
1961-62	30.49
1962-63	80.00
1963-64	69.00
1964-65	28.25

234. It has been stated that the provision towards obsolescence of spares is made after taking into consideration the following factors:—

- The cost of spares for each type of aircraft.
- The period for which the aircraft fleet is expected to be in operation.

- (iii) The expected sale proceeds of aircraft and spares on retirement.
- (iv) The provision already made for 'Obsolescence Reserve'.

**Provision
made
towards
obsoles-
cence.**

235. Obsolescence of stores and spares is more in aviation industry because of constant technical improvements being made in the various items. The provision made in 1964-65 towards obsolescence is very small as compared to that provided in 1962-63 and 1963-64. It should, therefore, be examined whether the provision made in 1964-65 was adequate and in keeping with the principles laid down for the purpose.

IX

CONCLUSION

236. The function of the Indian Airlines Corporation as defined in Section 7 of the Air Corporations Act, 1953, is to provide safe, efficient, adequate, economic and properly co-ordinated air transport services and the Corporation has to so exercise its power as to secure that air transport services are developed to the best advantage and the services are provided at reasonable charges. After nationalisation of air transport in 1953, the problems of integration of the airlines occupied the time and resources of the Corporation till 1958. It was in 1959-60 that attention was diverted to problems of re-organisation of routes, improvements of commercial services and other matters which affect the efficiency of an airline. Even then the scope was limited due to the small margin of surpluses available. The Corporation has stated that its efforts to seek additions to its fleet have not been as successful as they should have been due mostly to foreign exchange difficulties since as a domestic airline it was not considered to be a foreign exchange earner. As regards opening of new routes and new stations, it stated that with a large proportion of uneconomic routes in its network it was impossible to take much risk by opening of new stations. The Corporation feels that the conditions in which it functioned during the last 12 years show that at best the Corporation could function on a care maintenance basis rather than on the basis of a flourishing concern.

237. The Committee, after a study of the working of this Corporation, feel that its performance over the years has been far from satisfactory. This is not solely due to difficulties beyond its control but due to lack of proper planning and management and absence of direction. The main shortcomings of the Corporation have been indicated in the paragraphs supra. Some of these are:—

- (i) The Corporation seems to be leaning on subsidies from the State Governments and Civil Aviation Development Fund. (Paras 11—28).
not
- (ii) It has conducted traffic surveys with a view to judge the traffic potential in different Areas. (Paras 39-40).
- (iii) The Corporation has not been able to open more routes or increase the number of stations served by it. (Paras 48-49).

- (iv) These has been a setback in the Dakota replacement programme (Paras 54—56).
- (v) The increase in capacity (Atkm) has not kept pace with the rise in demand for seats on various sectors (Para 81).
- (vi) No effort has been made to develop air cargo traffic (Para 96).
- (vii) Delays in flights have become a normal feature. Delays and cancellations of flights occur due to reasons which can be foreseen, and also on account of minor grievances of staff. (Paras 97—104).
- (viii) There was an upward revision of cancellation charges which was not fully justified. (Paras 105-110).
- (ix) Reservation procedures need to be improved. (Paras 114-116).
- (x) The Corporation's sales promotion organisation is weak. There is far too much dependence on business secured through travel agents which is not justified since the Corporation has no competition to face. (Paras 121—124).
- (xi) Catering service at the Airport restaurants and in the plane is not up to the standard. (Para 133).
- (xii) Complaints from the travelling public are not attended to promptly. (Paras 134-137).
- (xiii) Efficiency and output of employees is low (Paras 79, 104, 137, 143, 203-204).
- (xiv) Arrangements for physical verification of stores are unsatisfactory. (Paras 169-177).
- (xv) The incidence of absenteeism and overtime payments has been high in certain Departments (Paras 193-200).
- (xvi) The need for pilots had not been adequately visualised. (Paras 214—218).
- (xvii) There have been delays in the implementation of the housing schemes (Paras 206-213).

238. The Corporation should remove the defects pointed out in this Report and thereafter review its performance from time to time and take effective measures to remove the deficiencies that might have crept in the organisation. There is a general feeling in the country that being a monopoly organisation the Corporation tends to take its duties too lightly and does not offer prompt or best service to its customers. It is hoped that the Corporation will do its utmost to allay this apprehension in the minds of the public.

D. N. TIWARY,
Chairman,
Committee on Public Undertakings.

NEW Delhi;
29 March, 1966
8 Chaitra, 1888 (Saka)

APPENDIX I

(Vide para 80)

Statement showing area-wise Scheduled Passenger Services as on 1-3-1966.

BOMBAY AREA

Bombay-Ahmedabad-Karachi.
Madras-Colombo.
Bombay-Nagpur-Calcutta. (N.A.M.S.).
Bombay-Calcutta.
Hyderabad-Bangalore.
Bombay-Madras.
Bombay-Bangalore-Madras.
Bombay-Hyderabad.
Bombay-Calcutta.
Bombay-Delhi.
Hyderabad-Vijayawada-Vizag.
Bombay-Ahmedabad-Udaipur-Jaipur-Delhi.
Bombay-Aurangabad.
Bombay-Nagpur-Bhopal.
Bombay-Goa.
Bombay-Mangalore.
Bombay-Belgaum-Mangalore-Bangalore.
Bombay-Baroda-Ahmedabad.
Bombay-Jamnagar-Kandla.
Bombay-Keshod-Porbander.
Bombay-Cochin.
Madras-Bangalore-Coimbatore-Cochin.
Madras-Trichi-Madurai-Trivandrum-Cochin.
Bombay-Cochin-Coimbatore-Madras.

CALCUTTA AREA

Calcutta-Kathmandu.
Patna-Kathmandu.
Kathmandu-Banaras.
Colombo-Madras.
Calcutta-Dacca.
Calcutta-Rangoon.

Calcutta-Madras.
 Calcutta-Delhi.
 Calcutta-Agartala-Silchar-Imphal.
 Calcutta-Agartala-Gauhati.
 Calcutta-Agartala-Silchar-Imphal.
 Calcutta-Agartala-Khowai-Kamalpur-Kailashahar.
 Calcutta-Agartala.
 Calcutta-Bhubaneshwar-Vizag.
 Calcutta-Tezpur-Jorhat.
 Calcutta-Gauhati.
 Calcutta-Gauhati-Jorhat.
 Calcutta-Gauhati-Tezpur-Jorhat-Lilabari-Mohanbari.
 Calcutta-Gauhati.
 Calcutta-Bagdogra.
 Calcutta-Jamshedpur-Rourkela-Ranchi-Patna.
 Calcutta-Rangoon-Port Blair.

DELHI AREA

Delhi-Lahore.
 Delhi-Kabul.
 Delhi-Kathmandu.
 Delhi-Nagpur-Madras. (N.A.M.S.)
 Delhi-Hyderabad-Madras.
 Delhi-Calcutta.
 Delhi-Bombay.
 Delhi-Bombay.
 Delhi-Amritsar-Jammu-Srinagar.
 Delhi-Khajuraho.
 Delhi-Jaipur-Ahmedabad-Bombay.
 Delhi-Agra-Jaipur.
 Delhi-Kanpur-Lucknow.
 Delhi-Lucknow-Bhopal.
 Delhi-Kanpur-Lucknow-Allahabad-Banaras-Patna-
 Calcutta.
 Delhi-Agra-Banaras-Calcutta.

APPENDIX II

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

S. No.	Ref. to Para No in the Report	Summary of Conclusion/Recommendation
1	2	3
1	15	Civil Aviation being a Central subject, it is the responsibility of the Central Government and the Corporation to develop aviation in the country. The losses on some of the subsidised, routes are due to the fact that the number as well as the type of aircraft required for profitable operation of the routes are not available with the Corporation. If a route does not pay because the Corporation cannot put the right type of aircraft or provide convenient timings, the Corporation would not be justified in claiming subsidy from the State Governments. However if a route is not remunerative because of poor traffic and the State Government still wants to develop the route for its own purpose, the Corporation should be entitled to a subsidy from that State Government. The Corporation should also so equip itself as to be able to provide aircraft suitable to the demand of a State.
2	19	The loss on the operation of Calcutta-Port service should not be taken for granted. The Andaman and Nicobar Islands are in a developing stage and it is reasonable to expect air traffic to grow every year. Therefore, the reasons for the decline in traffic in 1963-64 over the previous year should be investigated. Steps should be taken to better the performance on this route and make it economical as the demand grows. The possibility of operating a direct service from Calcutta to Port-Blair should also be examined.
3	28	The Committee consider that all the principles governing the payment of subvention from the

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Civil Aviation Development Fund should be clearly defined so that they leave no room for ambiguity. Basically the Corporation's route pattern and fare structure should be so adjusted as to enable it to make profits even if excise duty on fuel is heavy. Presently the Corporation is losing heavily on its Dakota operations. It follows that as and when the Dakotas are replaced by new types of aircraft, the Corporation should be able to operate most of its other services in a self-financing way and thus obviate the necessity of subventions. The Committee would not like a large number of routes to be subsidised as it gives an impression that the Corporation is leaning heavily on subsidies. Subsidies also curb initiative. They blur the financial results indicated in the Balance Sheet and Annual Accounts. Therefore the Corporation should aim at developing routes without resorting to subvention. The Government should examine as to how the private operators with their limited resources make good profits on their Dakota operations whereas a nationalised Corporation like the I. A. C. cannot.

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32-33

The Committee regret to note that the Night Air Mail Services operated at a heavy loss of Rs. 30.26 lakhs in 1964-65. Apart from Dakotas, Viscounts and Skymasters were also employed on the Night Air Mail Services. The load factor achieved was 61.5 per cent, 70.9 per cent and 66.9 per cent respectively during the last three years. The Committee are not fully convinced that the losses were inevitable.

There have been complaints of lack of cooperation between the Corporation and the Postal authorities. Mails have not been accepted on the plea of receipt at the last minute. If these complaints are true, it is not surprising that the load factor on the Night Air Mail Services has not been higher. A proper liaison should be maintained with the Postal authorities with a view to operate these services with a higher load factor and thus bring in more revenue. When the present Night Air Mail Ser-

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vices start showing profits, the question of extending them to other cities should be examined in consultation with the Postal Department.

6 38 The Corporation should explore the possibility of operating its services to adjacent countries profitably by using an economic type of aircraft, arranging proper timing and frequency and resorting to greater sales promotion activities. The Government should also allow the Corporation on these routes the facilities that other international airlines enjoy. If the financial results do not improve even then, the Corporation should discontinue these services unless otherwise directed by Government under Section 24 of the Air Corporations Act, 1953.

6 40 ✓ It is regrettable that the Corporation even after 13 years of existence has not set up an Organisation to conduct traffic surveys to judge the traffic potential of different areas of the country. The Corporation should establish a system of market research and sales promotion to achieve better results.

7 47 ✓ The Committee note that under the Industrial Policy Resolution of 1956, air transport has to be developed as a Central Government monopoly. From the statement made by the Deputy Minister of Civil Aviation in Lok Sabha on the 29th March, 1962, it would appear that the Air Corporations Act was amended to allow some private operators to serve those areas where services were necessary but where the Corporation could not operate its services on economic basis. The intention obviously was that permission to private operators to start scheduled services would be given in exceptional cases and for all other routes the Corporation would assume full responsibility for development. A perusal of the list of 15 routes mentioned in para 44 of the report indicates that with a suitable type of aircraft some of these routes could be operated profitably. The Corporation should undertake a fresh review of these routes and those which have adequate traffic potential so as to make them remunerative in the near future, it should have them kept reserved for itself. The remaining routes could be

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thrown open to the private operators so that benefits of air travel become available in these areas.

8 50 It would be seen that the progress made in opening new stations has been far from satisfactory. In fact more stations have been closed than opened, while it was expected that the Corporation would bring more stations within its network. The Committee hope that expansion of routes will be undertaken early and efforts made to connect new stations which have a potential for traffic growth and profitable operation of services.

9 59 ✓ The Committee regret to note that although the need for replacement of Dakotas was felt several years back, the progress made in their replacement has been very slow. The Corporation acquired 10 Friendship aircraft during the years 1961-62 and 1962-63. Thereafter the Corporation went in for the Caravelles for its trunk routes and waited for the availability of the AVRO for deploying on the regional routes. The number of AVRO aircraft to be made available to the Corporation was inadequate to meet its requirements. The delay in the manufacture of AVRO should also have been anticipated by the Corporation in 1963. The Corporation should have continued gradual addition to its fleet, preferably by Friendship which was already on its services, and which it intends to continue to deploy instead of incurring heavy losses year by year through the use of Dakotas.

10 61 ✓ ✓ Reference has been made in para 55 of the Report to the enormous losses incurred in the Dakota operations. In 1964-65 this loss amounted to Rs. 170.92 lakhs. An improvement in the financial results of the Corporation is thus dependent primarily on the availability of the AVRO aircraft.

The Ministry of Defence should take all possible steps to increase the rate of production of this aircraft. However, if the production programme of AVRO is being much delayed, the Corporation should make additions to its fleet by further purchasing any one type of the aircraft already in its service so as to replace some of the Dakotas.

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| 11 | 64 | <p>It has been estimated by the Corporation that during the Fourth Five Year Plan it would require 14 aircraft to replace the Viscounts and Skymasters. It follows that these replacements would necessitate heavy investment. Considering the need to expand more routes and services and also the limited funds that will be available during the Fourth Five Year Plan period, the Corporation should concentrate on expansion and use the existing fleet until its operations continue to be safe and remunerative.</p> |
| 12 | 67 | <p>The Corporation began its Friendship operations in 1961-62 and expects to continue to operate it in future as the basic aircraft for the regional routes. This aircraft is regarded as an economic and efficient one. There is no reason why its operations should have lately resulted in losses. As soon as the Corporation had became aware of the adverse results of its operations it should have taken remedial steps instead of waiting to do so in future. The Corporation should immediately take the necessary steps in this direction and so arrange the route pattern of the Friendship as to make them remunerative.</p> |
| | | <p>According to the present plans, the Corporation will continue to operate six types of aircraft. The introduction of AVRO for regional routes and a turbo-prop for short sectors and feeder routes seems to be necessary. The Committee would, however, like it to be examined whether the introduction of Boeings and a second generation jet will actually lead to speed efficiency and economy and compensate for the added costs which would result in maintenance and operation of two more types of aircraft and that too with a small fleet of each type. The Committee are of the view that it is not necessary according to the route pattern and limited fleet of the Corporation to employ six types of aircraft in its service. These should be reduced to the minimum.</p> |
| 14 | 74 | <p>From the figures given, in para 72 of the report the utilisation of Friendship aircraft works out to 5 hours 31 minutes per day in 1964-65 as against 6 hours 18 minutes in 1963-64. Even allowing</p> |

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some margin for the low utilisation due to operation on some short sectors, the utilisation is low and should not have gone down to this extent. Reference has been made in para 65 of this Report about the losses incurred on Friendship operations. As this is a new type of aircraft and also capable of operating remuneratively, its utilisation ought to be higher.

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Recently there have been two accidents one on 7-2-1966 near Banihal Pass in which a Friendship aircraft was lost with 33 passengers and a crew of 4, the other on 15-2-1966 in which a Caravelle was completely burnt all the runway at Palam airport. In this case all the passengers and crew were evacuated, but one passenger succumbed to injuries later in hospital. It is probable that adequate steps are not being taken to maintain the necessary safety standards or the crew is becoming complacent. If proper arrangements are made for overhaul and repairs, flight checks, communication of aeronautical information, weather reports, exchange of information on snags, malfunctioning etc., it should be possible to eliminate accidents. The Management of the Corporation as also the Government should pay particular attention to these aspects and ensure highest standards of passenger safety, airworthiness of the aircraft and operational efficiency of the staff on the ground as also of the air crew.

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From what has been stated in paras 81-84 of the report the Corporation's load factor around 70 per cent over the last decade can be considered as very satisfactory. But this also indicates that along with the increase in load there has been a corresponding rise in the demand for seats which has considerably remained unsatisfactory all these years. This was also admitted during evidence and is borne out by the ever long waiting lists in the Corporation's booking offices, which causes great inconvenience to numerous passengers who are unable to get seats or travel at short notice. As the Corporation has a monopoly of air services within the country, the management must constantly endeavour to meet the requirements of the travelling public to the maximum extent throughout the year.

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17	89	<p>At present Air India does not normally carry fare paying passengers or domestic cargo on their services within India. The result is that its spare capacity to the extent of 50 per cent goes unutilised. With a view to utilisation of this capacity, as also for the convenience of the travelling public, the Committee have, in their report on the working of Air India, recommended that an arrangement should be made whereby passengers unable to get seats on I.A.C.'s services are as a matter of course diverted to Air India's Boeing. It is also envisaged that I.A.C. would get 50 per cent share of the revenue from the traffic so diverted to Air India. This arrangement which will be beneficial to the travelling public and the two air corporations should be reached immediately failing which Government might examine the question of issuing a directive.</p>
18	96	<p>✓</p> <p>The Committee regret to note that there has been decline in the cargo traffic from year to year. If the cargo traffic in the eastern region is excluded, the balance of cargo carried in the rest of the country would be meagre. It seems that in the past whenever additional capacity was planned on the trunk routes and the regional routes, no conscious effort was made for developing cargo traffic in the country or to acquire the right type of aircraft for the purpose. The Corporation also does not want to publicise the advantages of transport of cargo by air and to create a market for it. With the present approach of the Corporation of shunning or only waiting for business to come, it is not surprising that this important source of traffic revenue has remained neglected and declined and the available capacity has also remained unutilised to some extent. The Committee expect that in the Fourth Five Year Plan period there would be a planned growth of passenger, mail and cargo traffic and it would also be possible to introduce pure cargo services covering the country.</p>
19	104	<p>The reasons advanced for the delays are unsatisfactory. Many of the delays were avoidable or could have been reduced and of one such delay the Committee had some experience. There is an impression amongst the people that delays in I.A.C.'s flights are a normal feature and much of it is due to bad organisation and lack of spirit of service. Such impressions are strength-</p>

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ened when reports appear in the press quite frequently about services being delayed or even cancelled because the crew did not turn up in time or did not take off on account of minor staff grievances. The Committee would like to emphasise that the reputation and reliability of the Corporation depends considerably on its punctuality of service. The Corporation must always be conscious that delays in flights cause considerable inconvenience to the public and lower its utility as a fast carrier. All cases of engineering, traffic and operational delays and avoidable cases of weather delays must be looked into by a senior officer. In case of default the responsibility should be speedily fixed and the offender punished. The Management should not be lenient in this matter and should lay greater emphasis on discipline among the officers and staff so as to improve its reputation and create a better understanding of its working.

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The Committee are not convinced that there is a case for levy of cancellation charges to the extent of 50 per cent. The main reason for this upward revision was frivolous booking by some persons. In that case genuine passengers who for one reason or the other are not able to perform the journey after the tickets are purchased should not be penalised so heavily. The provision for waiving of charges in suitable cases is also cumbersome because it creates problem of verification of genuineness of each case. There is a case for liberalisation of this procedure. The cancellation rates should be reduced suitably.

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The Committee feel that while the holding of certain number of Priority Seats is necessary in the interest of Government business, they consider that the Corporation should not also be unduly handicapped by holding over of too many seats. They would, therefore, suggest a review of Priority Seats from time to time with a view to reduce them to the minimum and also to advance the time for the release of the un-required seats.

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The various measures proposed for setting the reservation organisation on a systematic footing are in the right direction. The system of sector allocation of seats should also be improved to

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ensure the optimum utilisation of the available seats. Besides efforts are needed on the part of the Corporation to raise its image in the eyes of the travelling public by courteous handling of the passengers at the Reservation Counters etc.

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Complaints regarding delays in confirmation of reservations required from out stations are quite frequent. The Corporation should, therefore, have an efficient system of communication. It should be accorded priority for obtaining additional teleprinter circuits so as to link all important stations in the country which are connected by scheduled air services. In the meantime, increasing use should be made of the wireless telegraph and telecommunication channels available with the Posts and Telegraphs Department and the Director General of Civil Aviation for arranging reservations for passengers, particularly foreign tourists.

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While there is no denying the fact that Travel Agency System plays an important role in an air transport industry and has certain obvious advantages, it has to be realised that too much reliance on the travel agents for the procurement of business hardly reflects well on the sales efficiency of the Corporation. There is a general impression that its sales organisation is weak and inattentive. Further the share of 38.29 per cent of the total business secured by Agents in 1964-65 is on the high side. Greater efforts are, therefore, needed to gear up the sales promotion machinery of the Corporation so that the large commission paid to the travel agents could be saved. This saving should be utilised for providing better amenities to the passengers and in opening more booking offices, particularly in the District Headquarters and Commercial Centres. Efforts should also be made to reduce the number of travel agents.

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The Committee are not convinced that there is a case for opening of I.A.C.'s offices abroad at stations where it is not operating its services. Air India's offices abroad as also those of the Tourist Department of the Government of India should normally be able to look after its interests abroad. What is needed is that there should be a greater liaison with the Air India's and Indian Tourist Offices which can be kept by supplying

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them upto date information and schedules of services.

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It is surprising that the facilities supposed to be available to passengers for missed connections are almost unknown to the travelling public. Adequate publicity should be given to this and lodging and other necessary facilities provided to all passengers entitled to them. Boarding and loading facilities to through passengers who are forced to break journey in the absence of a connecting flight might be provided.

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In their Report on Air India, the Committee have dealt with the question of contracts given to caterers at the international airports in India. As regards service in the aircraft, there is a genuine ground for complaint regarding quality of food. The Corporation should improve its catering department and also strive to get satisfactory service from the caterers appointed by the D.G.C.A. and if necessary by making alternative arrangements for supply of good quality food.

137

The various public complaints and deficiencies in organisation some of which have been mentioned in paras 134-135 of the Report, should be examined and improvements effected. It is the general view and also the experience of the Members of the Committee that complaints are not attended to promptly. The hallmark of efficiency of a public utility undertaking lies in its readiness to learn from mistakes and drawbacks and to act promptly on complaints received. The institution of complaint cells for checking up and processing the follow up action is a step in the right direction. These cells should be under the charge of responsible and energetic officials who can initiate quick remedial action in regard to complaints. A complaint book should be kept in each aircraft. The customers satisfaction and convenience should invariably motivate all activities of the Corporation.

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From the figures given in paras 138-141 of the Report it appears that the efficiency of the over-haul shops has considerably deteriorated. Even

if it is assumed that the rise in average costs has been due to increase in wages, cost of spare parts etc., there is no reason why the average man-hours spent should increase in one year by 36 per cent. in the case of Friendship aircraft while in the case of Skymaster aircraft it is 48 per cent. There should have been some uniformity in the percentage increase which is very much on the high side. The reasons for these increases should be investigated and steps taken to improve the efficiency and output of the workshops.

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Judging from the rate at which there has been an increase in the man-hours spent on overhaul of engines, cost of repairs and maintenance, and also the delays in flights due to mechanical troubles, it seems that all these aspects require immediate attention of the Corporation. The Committee hope that the reorganisation proposed by the Corporation will improve the situation.

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148-189

There is another aspect to which attention might be paid. During the Fourth Five Year Plan period, the Corporation will replace certain types of aircraft by new ones. This would necessitate reorganisation of the existing workshops to enable it to change over to new types of aircraft maintenance. The Committee suggest that in the new set up there should be one Base only for maintenance and overhaul of a single type of aircraft as it would be conducive to maximum utilisation of manpower and machine capacity.

It was noticed that the overhauling capacity of engines fitted in the Viscount aircraft was developed several years after their introduction into the Corporation's service. Initially, the Caravelle Engine had also to be sent abroad for overhauling. When new types of aircraft are introduced, timely action should be taken to develop overhauling capacity so as to obviate the necessity of sending their engines abroad.

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It is noticed that the value of material purchased indigenously to the total purchases made was 1.8 per cent only in 1963-64 which must be

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considered as insignificant. The Committee appreciate the limitation on manufacture of items of a proprietary nature and that manufacture of spare parts for different types of aircraft will not be economical. Yet, to depend on imported spares to the extent of 98 per cent is not desirable. It is apparent that no serious thought was given to the possibility of manufacturing aircraft items in the country until quite recently. In view of the foreign exchange difficulties and to attain self-sufficiency the manufacture of spare parts in the country to a large extent must be undertaken immediately.

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157

The Committee note that even after the value of rotables and Caravelle consumable stores are excluded the total value of stock holding of consumables as at the end of 1964-65 amounted to three years consumption. The Corporation has stated that the maximum level of stock holding of imported stores and spares is 18 months. In the case of stores available from indigenous sources the maximum level is 6 months. According to this the holding of consumable spares equivalent to three years' consumption is high. Efforts should be made to bring down the level of inventory.

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It is seen from the above that the accumulation of stores has been because of the delay in conducting surveys of usable and un-useable stores. Such accumulations should be avoided and a proper procedure laid down whereby the value of stores is determined every year.

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The detailed list of non-existent items, which has been supplied to the Committee, shows that quite a number of those items need not be charged to revenue expenditure in as much as they could appropriately be regarded as capital assets. The items in question should be properly classified as between capital and revenue expenditure and adjustments carried out in the accounts.

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It appears that the Reconciliation of this class of assets was done only in the case of Calcutta Area. It is probable that in other Areas also the value of several non-existent structures has been included in the accounts. Reconciliation of such items in other Areas should be done forthwith, if not done already.

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| 37 | 168 | It is clear that the Corporation's agents in the U.S.A. did not inspect the valves with the meticulous care that was needed before certifying them. The responsibility of the inspecting organisation in such matters needs to be precisely defined and incorporated in an agreement so as to safeguard against any such failure in future. |
| 38 | 170 | It is noticed that the thefts occurred at Safdar-jung Stores Depot in October, 1961, October, 1962 and April, 1963. The Committee are intrigued how these thefts continued without being detected though their dates are known. It is surprising that the responsibility for these losses could not be fixed on any person. The Committee are unable to accept the plea put forward that this was because people were working in shifts. The obvious reason appears to be that those who should have investigated into them failed to fix responsibility for some reason or the other. The Committee understand that security measures for keeping proper custody of stores have now been strengthened. |
| 39 | 177 | The Audit comments on the physical verification of stores and other assets of the Corporation reflect a very unsatisfactory state of affairs in its Stores Department. Physical verification of Stores in an undertaking by scheduled dates is an imperative necessity. It becomes difficult to make adjustments and fix responsibility when discrepancies come to light after a belated verification. Such inordinate delays in the physical verification of stores do not bring credit to the management. |
| 40 | 183 | The Committee are not convinced that the interests of either the Government or the Corporation can be best served by the Secretary of a Ministry being the Chairman of a Corporation. The Estimates Committee have pointed out the defects in such an arrangement, and there should not normally be an exception to the general rule. However hard a person works objectively and balances the two interests, when interests conflict, it is not possible to take a detached view. In fact in the formulation of a decision within the Ministry the officials of the Ministry are likely to assume that the views of the Corporation have the approval of the seniormost ex- |

cutive of the Ministry and as such their views are likely to be biased. Another drawback in such an arrangement is that the presence of a seniormost officer of the Ministry in the Board hampers the autonomous functioning of the Corporation and does not provide sufficient incentive to its chief executive to take independent decisions, howsoever he may try to do so. The Committee also do not agree with the plea that proper co-ordination between the D.G.C.A. and the Air Corporations can be maintained only by having the Secretary of the Ministry as the Chairman of the Corporation. These are in fact matters which should be settled at Departmental levels. The present arrangement of having the Secretary of the Ministry as the Chairman of the Corporation is not satisfactory and should be ended.

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187 The Estimates Committee have, in paras 45 and 46 of their 52nd Report (Third Lok Sabha), observed that frequent changes of the incumbents of posts of Chairmen and Managing Directors are not desirable in as much as this results in a waste of experience and intimate knowledge acquired by the individual. That Committee had recommended that the incumbents of these posts should be selected carefully and appointed for a minimum term, say 5 years, so as to enable them to fully implement the plans and programmes entrusted to them and to contribute to the efficient and economic working of the enterprise concerned. At the same time, the tenure of these posts should be linked up with the performance of the individuals concerned so that it should always be possible to remove unsuccessful or inefficient persons before the expiry of their term. In selecting Chairman or General Manager of the Corporation these recommendations should be borne in mind.

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192 There is a case for a separate Area for the Southern region. This would ensure greater co-ordination, control and general supervision over the activities of the stations in that region. The Committee, however, expect that the consequent increase in overheads and other expenditure would be adequately compensated by increase in business and efficiency of the Corporation.

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43	199-200	<p>Absenteeism to the extent of 25 per cent or 23 per cent in the Engineering and Traffic Departments respectively is abnormal. Such absenteeism not only result in excessive overtime payments but also affects the efficiency and smooth functioning of the concerned departments. All aspects of absenteeism should be studied to evolve a proper procedure for grant of leave to staff and create conditions in which absenteeism can be kept within limits.</p> <p>As regards overtime payments, the Committee see no reason why in the Engineering Department the overtime payments should have increased by 100 per cent in 1964-65 as compared to 1963-64. This indicates the extent of inefficiency in this Department to which a reference has also been made in para 143 of in this Report. This also reflects on the management. The Committee are inclined to believe that in other Departments also there is scope for reducing overtime payments. They suggest that this matter should be reviewed and overtime payments reduced substantially. In this connection, as one of the steps to reduce such expenditure, the Committee would suggest that sanction of overtime payments should be given by officers who are themselves not entitled to it.</p>
44	204-205	<p>The increase in staff from year to year has been attributed to the increase in business and work-load of the Corporation. While this is understandable, every increase in business should not necessarily be followed by an increase in staff. In any large organisation there is ample scope for simplifying procedures, introducing labour-saving devices etc., so that the staff rendered surplus thereby could be diverted to cope with the work created by increase in activities. The Committee find that the public sector projects are over-staffed. It is expected that the Corporation will on its part try to allay these impressions by keeping its staff strength at the minimum level.</p> <p>An over-all review of staff requirements should be made periodically to ensure that the disposition of the staff at various places actually conforms to the increase or decrease in the workload necessitated from time to time.</p>

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208 Although plans for construction of quarters in Delhi were initiated in 1959-60, it took six years for the Corporation to acquire a suitable plot for the purpose. The Committee appreciate the difficulties that are faced in acquiring suitable land in big cities. However, if serious efforts had been made to expedite the matter at various levels, there is no reason why the Corporation should not have succeeded earlier in its efforts. Presently, beyond acquisition of land, no progress seems to have been made towards construction of houses. The Corporation should attend to this matter urgently.

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212 From the information originally placed before the Committee it was not clear as to why the scheme had to be abandoned. In the Audit Report it is stated that this was done because the land was not suitable. But at the time of evidence before the Committee the reason given was that a portion of the land was required by the DGCA for their own use. Whatever be the reason, the result is that the housing project of the Corporation has been delayed by about four years. If the selection of site at Narayanpur village had been made after proper survey or the project had been executed expeditiously the need for making changes would not have arisen. The scheme should now be proceeded with expeditiously.

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217-218 In this connection the Committee have noticed that in 1958 the requirement of pilots was estimated at 30 to 45 pilots a year. The estimate was later revised to 30 to 35 but in 1959 it was reduced to 10 pilots a year. These assessments had varied because of the Corporation's failure to appreciate in time the introduction of heavier and faster aircraft. From the foregoing paragraph it is seen that the shortage of pilots since 1963 is due to the inability of the Corporation to assess its requirements correctly. When it was noticed that there would be a shortage of pilots, the Corporation had to make *ad hoc* arrangements to recruit them from the Flying Clubs etc., and train them at its own Central

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Training Establishment at Hyderabad. This arrangement is most unsatisfactory. Proper planning should be done to secure a regular flow of pilots according to requirements.

As regards arrangements to be made for training of pilots in future, it would be desirable to open a centre for their training where candidates could be given *ab initio* training and further training imparted to those who are recruited from Flying Clubs etc. The burden of training cost falls on the Government in either case. What is important is that the training should be thorough and economical and there should be no duplication of efforts whether at the Flying Clubs, the Civil Aviation Training Centre or at Corporation's own Training Establishment at Hyderabad.

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221-222

The Wheatcroft Committee had recommended immediate withdrawal of Radio Officers from the Viscount fleet in 1959. The Committee regret to note that it took more than 5 years to implement this recommendation. The Friendships and Caravelles were introduced later into the Corporation's services and it should have been possible to operate them without a Radio Officer from the very beginning. The non-withdrawal of Radio Officers from the Viscount fleet for over five years and their introduction on the Friendships and Caravells when they were not needed shows how ineffective the management of the Corporation has proved.

The Committee are informed that further recruitment of Radio Officers has been stopped. The two-crew operation is likely to be introduced shortly when the Radio Officers will become surplus to requirements. The Committee hope that efforts will be made to employ them for suitable jobs on the ground or in other allied organisations.

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226-227

A steady increase in profits which has been noticed during the last three years augurs well for the future of the Corporation.

In 1965-66 the Corporation had budgeted for a profit of Rs. 1.47 crores, which, on an Equity capital of Rs. 10.97 crores, would have worked to

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15.4 per cent. However, in view of the disruption of services during the period of the emergency and a rise in wages of the Pilots, the Corporation is likely to end 1965-66 on a marginal profit only.

50 232 The Committee note the explanations given in regard to the decline in the percentage of current assets to current liabilities from year to year. They would, however, desire that the matter should be kept under constant review.

51 235 Obsolescence of stores and spares is more in aviation industry because of constant technical improvements being made in the various items. The provision made in 1964-65 towards obsolescence is very small as compared to that provided in 1962-63 and 1963-64. It should, therefore, be examined whether the provision made in 1964-65 was adequate and in keeping with the principles laid down for the purpose.

52 237-238 The Committee, after a study of the working of this Corporation, feel that its performance over the years has been far from satisfactory. This is not solely due to difficulties beyond its control but due to lack of proper planning and management and absence of direction. The main shortcomings of the Corporation have been indicated in the paragraphs *supra*. Some of these are:

- ✓ (i) The Corporation seems to be leaning on subsidies from the State Governments and Civil Aviation Development Fund. (Paras 11-28)
- ✓ (ii) It has not conducted traffic surveys with a view to judge the traffic potential in different Areas. (Paras 39-40).
- ✓ (iii) The Corporation has not been able to open more routes or increase the number of stations served by it. (paras 48-49).
- ✓ (iv) There has been a set-back in the Dakota replacement programme (Paras 54-56).

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- (v) The increase in capacity (Atkm) has not kept pace with the rise in demand for seats on various sectors (Para 81)
- (vi) No effort has been made to develop air cargo traffic (Para 96).
- (vii) Delays in flights have become a normal feature. Delays and cancellations of flights occur due to reasons which can be foreseen, and also on account of minor grievances of staff. (Paras 97-104).
- (viii) There was an upward revision of cancellation charges which was not fully justified. (Paras 105-10).
- (ix) Reservation procedures need to be improved. (Paras 114-16).
- (x) The Corporation's sales promotion organisation is weak. There is far too much dependence on business secured through travel agents which is not justified since the Corporation has no competition to face (Paras 121-24).
- (xi) Catering service at the Airport restaurants and in the plane is not up to the standard. (Para 133)
- ✓ (xii) Complaints from the travelling public are not attended to promptly (Paras 134-137)
- ✓ (xiii) Efficiency and output of employees is low. (Paras 79, 104, 137, 143, 203-204).
- ✓ (xiv) Arrangements for physical verification of stores are unsatisfactory. (Paras 169-77).
- (xv) The incidence of absenteeism and overtime payments has been high in certain Departments (Paras 193-200)
- (xvi) The need for pilots had not been adequately visualised (Paras 214-218).

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(xvii) There have been delays in the implementation of the housing schemes (Paras 206-213).

The Corporation should remove the defects pointed out in this Report and thereafter review its performance from time to time and take effective measures to remove the deficiencies that might have crept in the organisation. There is a general feeling in the country that being a monopoly organisation the Corporation tends to take its duties too lightly and does not offer prompt or best service to its customers. It is hoped that the Corporation will do its utmost to allay this apprehension in the minds of the public.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.—1.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76			
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88			
32.	Hind Book House, 82, Janpath, New Delhi.	95	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	

AGENTS IN FOREIGN COUNTRIES