

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1972-73)**

(FIFTH LOK SABHA)

TWENTY-EIGHTH REPORT

INDIAN AIRLINES

(MINISTRY OF TOURISM AND CIVIL AVIATION)



समयैव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1973/Chaitra 1895 (S)

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C O R R I G E N D A

Twenty-eight Report of CPU on Indian Airlines

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(iii)		16	<u>insert</u> 'or' <u>before</u> 'for'	
(v)		5	on	one
3	Table	Item		
		5 col.11	-	6
4	2.3	16	(POX)	(PAX)
		17	(Freighter)	(freighter)
6	2.12	2	whih	which
12	-	3	late	date
12	2.28	3	<u>delete</u> with	
12	2.28	9	Rs.3.75 lakhs)	(Rs. 3.75 lakhs)
12	2.28	10	acrapped	scrapped
11	13	13	acro	aero
17	2.41	1	<u>insert</u> 'that <u>after</u> 'find'	
21	2.55	22	details	detailed
22	2.57	last line	<u>insert</u> 'to' <u>before</u> 'accord'	
25	table	item 1	-	61
		Col.2		
28	2.82	5	routs	routes
31	-	5	read	road.
34	3.15	12	facto ralso	factor also
37	3.25	2	India	Indian
44	3.42	16	may	many
47	3.51	2	has	was
59	3.78	3	<u>hibgest</u>	highest ...2.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
64	3.94	13	pursued	pursued
66	3.102	4	objective	objectives
		5	given	give
		5	uneconomical	uneconomic
67	3.105	4	as well	as well as
67	3.106	4	on such	no such
			record	records
7	3.110	2	<u>insert 'in'</u>	<u>after 'that'</u>
0		6	criteria	criterion
4	5.7	4	haul	haul
4	5.7	5	plant	plan
4	5.7	7	rationalise	rationalise
6	table item V		16,32	16,532
			last column	
90	6.12	5	possible	possibly
94	-	1	stag	staff
95	-	1	Corporation s	Corporation's
100	table Item 4		1-12-1968	21.12.1968
	Col.4			
101	6.44	7	receptients	recipients
102	line two		<u>insert 'to'</u>	<u>before intro-</u>
	from bottom			<u>duce</u>
103	6.50	4	Rs.2.30	Rs.2.30laks
104	-	1	<u>insert 'view to'</u>	<u>before</u>
			'improving'	
105	6.57	5	are	were
105	6.57	8	handing	handling
110	7.11	3	Calcuttad	Calcutta
			uring	during
111	7.15	6	<u>delete 'to'</u>	at the end
111	7.15	20	due	due to
112	7.17	1	<u>delete 'been'</u>	at the end
112	-	line 2	efor	for
		from bottom		

...3.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>for</u>	<u>read</u>
113		4 from bottom	emainly	mainly
115	7.24	5	rather by paying	thereby paving
115	7.25	3	avragee	average
115	7.26	2	disperity	disparity
117	7.29	21	these	there
118		table item 5(iii) Co' 2	indirect	indirect
121		table item 1 Col.6	61.07	616.07
121		table against total engg- eering spares 'A'	1018.19	1018.91
122		line 8 from bottom	<u>Delete</u> the word 'in'	
123		table Col.I	Friendship	Fokker Friendship
126		table 1 total under 1967-68	10184	101084
129		table 3 Col.2	24.20	24.29
129		table 4 Col.4	59.23	59.93
129		Table 7 Col.2	21.96	25.97

...4.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
130		5	<u>insert</u> the word 'Rs.'	
			<u>before</u> the figure 14.61	
130		20	enior	Senior
132		14	terms	teams
			from bottom	
137	Table in para			
	8.40 - line			
	4. Col.5		States	assets
139	9.1	1	Corporation	Corporations
140	9.8	1	enquire	enquired
161	-	11	to	led to
167		1	wrkers	workers
			from bottom	
169		7	areements	agreements
174	11.1	9	$\frac{1}{2}\%$	$7\frac{1}{2}\%$
172		2	beginning	beginning
175	table 3		4,012,38	4,012.38
	Col.3			
176	against		5,07	5.07
	item 5(ii)			
178	line 1 col.		Publitivity	Publicity
	2			
178		1	incluidng	including
			from bottom	
179		9	<u>for</u> existing line	
	from bottom		<u>read</u> 'Rs.32 to Rs.60,	
			account for increase	
			in lay over expenses.	
			The'	
182	-	7	<u>delete</u> 'and'	
	from bottom			

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
182	-	5	add at the end from bottom	increase in rotables condemned (3.83 lakhs), incidental charges, etc. (Rs.7.92 lakhs)
187		2	Part	Party
			from bottom	
88	11.28	10	certain	certain
89	11.31	8	no	now
89	11.33	4	not	now
89	11.34	2	management	management
			from bottom	
90	11.36	table	26.68	25.68
		Col.3		
		against	31.3.71	
92	11.42	13	that	that in
92	11.42	14	dues	of dues
92	11.42	15	with	without
92	11.43	3	deposited	deposited
92	11.43	8	regional	regional
92	11.44	2	facility	facility
92	"	6	resorted	restored
92	"	7	facilities	facilities
97	11.58	1	the	the
98	12.1	6	orders	orders
99	12.8	7	<u>delete</u> 'to'	
100	12.12(a)		As	A
101	12.12(c)(2)	2	will all	with all
	Srb			
	/ para 5(e)	3	clearance	clearance

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
204	12.16	4	by then	by the then
208	12.24	9	give non	given on
208	12.24	15	come	some
210	12.30	17	itms	items
211	12.33	3	<u>months</u>	<u>years</u>
	Sub-para			
	2			
218	12.33	11	on	an
211	12.33	12	<u>for</u> existing	'was registered
213			line <u>read</u>	with Delhi Special
213				Police Establish-
215				ment under
219	13.3	1	received	revised
220	13.8	3	on	in
220	13.9	4	<u>after</u> "Contract"	<u>add</u> "as the
222			tenderers, had put in	a large number of conditions"
222	13.11	6	period of	period
222	13.12	5	considera-	considered
222			ble	
222	13.14	2	has	had
222	item(b)	2	D.G.C.	D.G.C.A.
222	of the			
222	table			
222	13.34	1	30th May	30th May, 1963
222	13.44	1	Plan	Plant
222	(contd)			
222	13.45	1	<u>delete</u> en.	
223	13.45	2	Plan	Plant
223	13.45	7	<u>after</u> "architects"	
			<u>add</u> "for the estimates nor the	
			estimates duly signed by the	
			architects"	

...7

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
223	13.45	7	was	were
224	13.46	3	be	the
	(Sub-para)			
224	"	7	We	we
229		1	this	his
229	13.58	7	be	he
231	13.65		13.65	13.64
231	13.65		13.66	13.65
232		8	problem	probe
232	for the last two lines read			
	'fix responsibility for such inordinate delays on the part of management.'			
234		1	va ety	variety
235	14.7	5	as far	as far as
235	14.8	16	suitable	suited
236	14.10	6	increase in	increasing
239	14.22	5	class	first class
239	12.23	12	transports	transport

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
245	14.41	9	pointed	pointed out
250	Sl.No. 3	-	Mhowl	Knowl
250	Sl.No. 11	-	WEL	DEL
251	"	6 -	3.86	+3.86
261	S.No. under		71.7	250
	1971-72		250	71.7
261	Sl. No. 5 under		87.7	85.7
	Col. 1969-70			
266	Col. 1	6 against	1300	13000
		1966-67		
266	-	2 from	1967-69	1967-68
		bottom		
267		under heading		
		F27 against	add 55	
		1966-67		
		under col. 5		
		against 1970-71		
		under Col. 5	add 71	
		under Heading Check		
		IV against 1966-67 under		
		Col. 2	5770	5750
		against 1970-71		
		Col. 3	13,771	13,711
269	Sl.No. 5 under		5.26	52.6
	Col. 13			
271	3.5	heading of	ATHM/Hr.	ATKm/Hr.
		table col. 4		
276		under Col. 8 item 6(a)	352	3.62
276		Col. 10, item 1	23.36	23.36

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
277	Col. 10, item 6(a)		9009	9.09
280	against item 8		sudry	sundry
285	Para 3			
	against Delhi		1	2
287	2.8	5	<u>delete</u>	"as mentioned in Para 2.4 above.
	"	"	the	The
289	2.44	4	s	is
"	2.53	6	August 196	August 1969
		from botton		
290	2.60	11	coveting	covering
292	3.13	12	suggests	suggest
295	3.43	1	250	2500
295	3.44	12	types	types of
297	3.76	13	385.17	355.17
295	6.36	10	could	could
298	7.16	7	were	are
291	8.23	7	heldings	holdings
	"	10	fleet	fleet was
313	9.12	5	Chairman	Chairmen
313	10.52	20	space	spare
322	11.22	4	budgetory	budgetary
323	11.22	10	form	for
"	Sl.No.67	1	11.30	11.34
327	12.30	17	<u>add "of"</u>	<u>after "receipt"</u>
329	12.33	24	months	year
329	"	34	fied	fide
334	Sl. No.83	1	13.65	13.64
334	"	84	13.66	13.65

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GLOSSARY OF TECHNICAL TERMS USED IN THE REPORT

Stage

A section of the air service between two scheduled stops.

Tonne Kilometre

A unit for measuring traffic and is equivalent to the carriage of one tonne of load over one kilometre. If, for instance, 10 tonnes of cargo are carried over a distance of 500 kilometres, the traffic carried is 5,000 tonne kilometres. This device enables one to add different types of traffic (Passenger, Cargo, Mail etc.) when carried over different distances.

Revenue Tonne Kilometre (R. T. Km.)

The actual traffic carried on which revenue is earned.

Available Tonne Kilometre (A. T. Km.)

Product obtained by multiplying the capacity in tonnes available for Passengers, Mail and Cargo by the distance in kilometres flown by the aircraft. It, therefore, represents the maximum traffic that can be carried.

Revenue Load Factor and Overall Load Factor

Ratio of Revenue Tonne Kilometres to Available Tonne Kilometres usually expressed as a percentage. The term Overall Load Factor has been used to denote the percentage of Combined Revenue Load of Passengers, Cargo and Mail to the Available Tonne Kilometres.

Break Even Load Factor

The Load Factor that has to be achieved in order to cover operating expenses.

COMMITTEE ON PUBLIC UNDERTAKINGS
(1972-73)

CHAIRMAN

Shrimati Subhadra Joshi

MEMBERS

2. Shri Dinen Bhattacharya
3. Shri G. Bhuvarahan
4. Dr. Kailas
5. Shri Murasoli Maran
6. Dr. Mahipatray Mehta
7. Shri S. N. Misra
8. Shri Amrit Nahata
9. Shri P. Parthasarathy
10. Shri Ranen Sen
11. Shri Lal K. Advani
12. Shri M. Kamalanathan
13. Shri U. N. Mahaida
- *14. Chaudhary A. Mohammad
15. Shri D. P. Singh

SECRETARIAT

1. Shri Avtar Singh Rikhy—*Joint Secretary*
2. Shri M. A. Soundararajan—*Deputy Secretary.*
3. Shri M. N. Kaul—*Under Secretary*

*Died on the 7th February, 1973

COMPOSITION OF STUDY GROUP ON INDIAN AIRLINES AND
TELEPHONE INDUSTRIES

1. Shri S. N. Misra—*Convener*
2. Dr. Mahipatray Mehta—*Alternate Convener*
3. Shri G. Bhuvarahan
4. Shri Dinen Bhattacharya
5. Shri Murasoli Maran
6. Shri Ranen Sen
- *7. Chaudhary A. Mohammad
8. Dr. Kailas
9. Shri Lal K. Advani

*Died on the 7th February, 1973

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Twenty-eighth Report on the Indian Airlines.

2. This Report of the Committee is based on the comprehensive appraisal of the working of the Indian Airlines as contained in the Report of the Comptroller and Auditor General of India for the year 1969-70—Central Government (Commercial) Part VIII—and also on an examination in depth of the working of the Indian Airlines upto the year ended 31st March, 1972.

3. The Committee on Public Undertakings took evidence of the representatives of the Indian Airlines on the 25th and 26th July, 1972 and of the Ministry of Tourism and Civil Aviation, Posts and Telegraphs Board, Directorate General Civil Aviation, Directorate General of observatories and Hindustan Aeronautics Ltd., on the 25th September, 1972.

4. The Committee on Public Undertakings considered and adopted the Report at their sittings held on the 21st, 22nd and 23rd March, 1973.

5. The Committee wish to express their thanks to the Ministry of Tourism and Civil Aviation, the Indian Airlines, Posts and Telegraphs Board, Directorate General Civil Aviation, Directorate General of observatories and Hindustan Aeronautics Ltd., for placing before them the material and information they wanted in connection with the examination of Indian Airlines. They wish to thank in particular the representatives of the Ministry/Departments and the undertakings who gave evidence and placed their considered views before the Committee.

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

SUBHADRA JOSHI,

Chairman

Committee on Public Undertakings

NEW DELHI;

April 10, 1973

Chaitra 20, 1895 (S)

INTRODUCTORY

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

The Indian Airlines (hereinafter referred to as the Corporation) came into formal existence on the 15th June, 1953 under Air Corporations Act, 1953 and took over with effect from the 1st August, 1953, the assets, liabilities and business 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 Ltd.

1.2. The eight ex-Airlines Companies had earlier operated a number of services on allotted routes and had their own system of book-keeping documentation and organisation which differed widely from one unit to the other. A number of committees were, therefore, appointed to investigate problems bearing on operations, finance and accounts, spares, engineering and traffic. A service committee was also appointed to make recommendations on rationalisation of pay scales for different categories of Personnel and formulation of a suitable wage structure and common conditions of service. In the meantime, some interim arrangements were necessary and steps were taken to introduce a regional type of administration to achieve uniformity in the working of all the Units. Integration in all its phases was effected by the end of December, 1954 on the basis of recommendations of the various committees.

The Headquarters office consisting of a number of Departmental Heads such as Financial Controller, Chief Operations Manager, Engineering Manager, Chief Traffic Manager, Controller of Stores and Chief Personnel Officer was established at New Delhi. The entire territory was divided into three administrative-cum-operational-cum-traffic zones with Headquarters at Calcutta, Delhi and Bombay and

each of these areas was placed under the overall administrative control of an area Manager with Departmental Heads incharge of each Department namely Engineering, Operations, Traffic, Finance and Stores. Subsequently a fourth area was created with Headquarters at Madras.

B. Objects and Functions

1.3. According to Section 7 of the Air Corporations Act, 1953, the functions of 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 in particular, that the services are provided at reasonable charges.

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. Under Section 34 of the Act however, the Central Government reserves the right to issue directions to the Corporation as to the exercise and performance by the Corporation of its functions.

C. Examination by Estimates Committee|committee on Public Undertakings

1.4. The working of the 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 also considered by the Estimates Committee and a further Report (62nd Report, Second Lok Sabha) was submitted by them in 1958-59.

1.5. The Committee on Public Undertakings (Third Lok Sabha) also examined the working of the Corporation in 1955-56 and their recommendations are contained in their 23rd Report (Third Lok Sabha—March, 1966). The Committee presented their Report on the action taken by Government on the recommendations in the aforesaid report in 1968-69 (36th Report—4th Lok Sabha).

II

FLEET

A. Fleet acquisition and composition

2.1. At the time of nationalisation, the Corporation inherited a fleet of 99 aircraft (including 74 Dakotas) with a total seating capacity of 2244. During the subsequent period, it planned/acquired the aircraft as indicated below:—

Description	1954-55 and 1955-56		1956-57 to 1960-61 2nd Plan		1961-62 to 1965-66 3rd Plan		1966-67 to 1968-69 4th Plan Holiday		1969-70 to 1973-74 4th Plan	
	Plan- ned	Actual	Plan- ned	Actual	Plan- ned	Actual	Plan- ned	Actual	Plan- ned	Actual
I	2	3	4	5	6	7	8	9	10	11
1. Heron aircraft .	8	8	..	..		..	..	..		..
2. Viscount .			10	10	4	2	2	2	..	..
3. Fokker Friendship ..					11	10	4	5		
4. Caravelle .					6	6	3	3		..
5. HS-748 .							14	8		..
6. New aircraft (Fleet Augmenta- tion) .							5			
7. Short Range air- craft (HS-748) .					..	..			10	3
									(Upto June, 1972)	
8. 100 plus seater aircraft (Boeing-737) ..	..	..	..	..	..	..	..	..	7	7

2.2. The plan provisions and purchases were devised to modernise the fleet and augment the capacity by eliminating, to the extent possible, the old uneconomic aircraft. The composition of the fleet in use at the beginning and on certain important dates together with the overall capacity in terms of available tonne kilometres are given in Appendix I.

2.3. The present fleet of the Corporation as on 1st November, 1972 consists of the following aircraft:—

Make & Series	No. of aircraft
1. Boeing 737-200	7
2. Caravelle VI N	7
3. Viscount	
768	3
779	2
730	1
6	
4. F-27	
100	7
400	1
600	1
9	
5. HS 748 (Z-224)	16
6. DC-3 (C-47)	
(Pox)	6
(Frcighter)	1
7	
TOTAL	<u>52</u>

2.4. The Corporation has thus in service a total of 52 aircraft of 6 types. Furthermore it has 3 different series of Viscount and F-27 aircraft. It has thus 10 different types of aircrafts. The oldest aircraft in the fleet i.e. DC-3 was manufactured 30 years ago. The latest type of aircraft in the Indian Airlines fleet is the Boeing-737. According to Indian Airlines, one Boeing 737 produces as much capacity per year as a fleet of over 16 DC-3s. The turbo-prop aircraft have become uneconomic for operation on the net work of the Corporation. [In the case of DC-3s the break even load factor was as high as 250 per cent as against 58 per cent in the case of Boeing-737].

2.5. The multiplicity of aircraft types besides imposing a great burden on the cost and efficiency of the Corporation:—

- (a) entails a high ratio of spares inventory to fleet cost;
- (b) requires the provision of multiple major engineering bases to cater to total maintenance support of specific types of aircraft.
- (c) increases training cost, because of the need of maintaining multiplicity of skills amongst operational and technical personnel;

- (d) constraints the flexibility of scheduling and response to fluctuations in demand, because it cannot readily transfer aircraft from one area to the other, owing to constraints in respect of supporting facilities and skills for the operation of the aircraft outside its normal area of operations;
- (e) restricts the mobility of labour because skilled manpower, air crew and licensed engineers cannot be switched easily from one area to another without having to undergo training on the equipment operating in that area. This factor has added to I.A.'s industrial relations problems.

2.6. During evidence the representative of the Corporation admitted that if they were to rationalise and bring about a certain uniformity in the fleet composition, they would certainly benefit. The Committee were informed that the Corporation was moving towards rationalisation of their fleet. With this end in view Dakotas and Viscounts would go out soon. Their idea was to have three types of aircraft—one for long haul, the other for medium haul and the third one for short haul.

2.7. The Secretary of the Ministry also stated during evidence that the fewer the types of aircraft, the better it would be as it would be easy from the point of view of engineering etc. This aspect was being kept in the forefront by Indian Airlines in making their studies about future aircraft requirements. He also informed that Dakotas were being phased out and that the Viscounts and F-27 aircrafts would also be phased out during the Fifth Plan period. In so far as HS-748 aircraft were concerned the Secretary stated that he saw no escape from using that plane for the overall reason that it was being manufactured in the country regardless of the fact that it might be little more expensive.

2.8. The Committee find that one of the important internal constraints of Indian Airlines is the multiplicity in the types of aircraft some of which have become obsolete and uneconomic of operation. As mentioned in para 2.4 above, the variety in the types of aircraft besides being a drag on the economic operations imposing burden on the costs and efficiency of the Airlines creates several other problems like high ratio of spare inventory, increase in training cost etc. as mentioned in para 2.5 above. The Committee, would, therefore, reiterate their earlier suggestion in their 23rd Report (3rd Lok Sabha) that the Corporation should reduce the types of aircraft to the minimum and attempt at standardisation of its fleet consistent with requirements, economy and efficiency.

B. Purchase of HS-748 Aircraft

2.9. In order to replace the uneconomical Dakotas and to encourage the indigenous manufacture of aircraft, the Corporation issued a letter of intent for the purchase of 15 HS-748 aircraft (9 passengers and 6 freighters) on the Hindustan Aeronautics Limited in October, 1965. The letter of intent for 6 freighters was withdrawn subsequently and order for 9 passenger aircraft only was placed. Based on the current price of imported F-27 type of aircraft, modification necessary thereon, customs duty and ferrying charges payable, each HS-748 was expected to cost Rs. 45 lakhs.

2.10. In March, 1967, the Government of India appointed a Committee of the Secretaries to the Government for fixation of the sale price of HS-748. The Committee recommended in March/April, 1967 a price of Rs. 82.53 lakhs per aircraft subject to further examination of the method of reimbursement of financing charges and sales tax, and the quantum of subsidy to be given to Hindustan Aeronautics Ltd.

2.11. In June, 1967, the Corporation placed a further order for 5 aircraft on the same terms and conditions as for the order for 9 aircraft. A formal contract was also entered into with the Hindustan Aeronautics Ltd. in October, 1967 for the purchase of 9 aircraft subject to the escalation already mentioned above. Finally, the Committee of Secretaries re-fixed the price at Rs. 89.74 lakhs per aircraft subject to a further escalation to cover the award of the Wage Board, but limited to a maximum of Rs. 3 lakhs per aircraft which was communicated by the Government to the Corporation on 5th January, 1970.

2.12. Out of 14, six aircraft had been delivered by 1st January, 1969, the date on which the Wage Board Award became effective. The Hindustan Aeronautics Limited, however, demanded wage escalation of Rs. 18 lakhs in respect of these aircraft as well.

2.13. The Ministry informed audit (November, 1971) as follows:—

“...Secretary, Defence Production had indicated that deliveries which were meant for IAF had been diverted to Indian Airlines as Indian Airlines' needs were very urgent and consequently Indian Airlines should be made to pay what it would have paid if deliveries to it were made later. It was on this basis that the Secretaries Committee decided that Indian Airlines should bear the additional expenditure involved in the implementation of the Wage Board's award at the rate of Rs. 3.00 lakhs per aircraft.”

2.14. The Corporation approached the Government of India to make this additional payment of Rs. 42 lakhs out of the Civil Aviation Development Fund on account of the Corporation's present difficult financial position. This amount was, therefore, paid by Government from the Civil Aviation Development Fund.

2.15. As regards the manner in which the prices payable by Indian Airlines was determined, the Committee were informed in a written note by H.A.L. that in a meeting of the Committee of Secretaries held on 23rd January, 1965 the Committee considered a note dated 28th December, 1964 from the Department of Defence Production on the price to be charged by the HAL to the Indian Airlines Corporation for Avro-748 Series-II aircraft, when it was agreed that "a commercial deal, particularly, from one Government Agency to another should not be loaded with unreal costs which do not actually enter the production process and that the price to be charged should be commercially attractive to the Indian Airlines Corporation, apart from affording a reasonable margin of profit to HAL". A comparison of prices was made between different quotations and after a full discussions of the factors mentioned, including the prices of comparable aircraft, it was agreed in the Secretaries' Committee that the prices to IAC should be pegged at about Rs. 41.00 lakhs including Rs. 9 lakhs worth of additional equipment, and it would thereafter be for the Government to decide as to the form in which the difference between the cost of the production of the planes by HAL and the sale price to the IAC should be made up. It was also mentioned at that time that this would involve a subsidy to the extent of Rs. 4 lakhs either to the HAL or to the Indian Airlines Corporation.

2.16. The question of price payable by Indian Airlines for the HS-748 aircraft was considered again by the Committee of Secretaries at their meeting held on 13th and 14th March, 1967. The Committee noted that the basic price of a Fokker aircraft which in 1965 was taken as Rs. 41 lakhs had gone upto Rs. 76.33 lakhs and this basic price was paid by the Indian Airlines for a Fokker Friendship aircraft delivered in October, 1966. If cost of special equipment provided by HAL in HS-748 which is not available in the Fokker Friendship is added and provision is made for customs duty and ferrying charges, adopting the same principle which was enunciated in January, 1965, the price of the HS-748 for delivery after October, 1966 should not be less than Rs. 82.53 lakhs. After some discussions, the Committee agreed that Indian Airlines should place a firm order on HAL for the supply of 9 HS-748 aircraft on the basis of a price of Rs. 82.53 lakhs, subject to detailed consideration in due course of the method, of reimbursement of financing charges and sales tax and the quantum of subsidy to be given to the HAL, after consideration

of the report of a special Committee that had been set up to assess the cost of production in HAL, which included a Cost Accounts Officer from the Ministry of Finance.

2.17. A detailed note on the grant of subsidy to HAL was submitted in January, 1969 for consideration by the Secretaries' Committee and the case was discussed on 24th March, 1969. It was at this meeting that the average price to be paid by IAC per aircraft was computed at Rs. 89.742 lakhs and as the total cost of production was estimated at Rs. 103.33 lakhs, including sales tax, excise etc., the element of subsidy payable to HAL from the budget of the Civil Aviation Department was reckoned at Rs. 13.588 lakhs. The price of Rs. 89.742 lakhs was subject to revision by the addition of escalation in the cost of production due to implementation of the wage agreement in HAL and such addition to the price of wage escalation having been provided, the final price to have been paid by Indian Airlines came to Rs. 92.742 lakhs and as Indian Airlines due to its financial problems was not in a position to meet these charges, it was finally decided that the payment of Rs. 3 lakhs per aircraft for wage escalation would be met out of the Civil Aviation Development Fund, in addition to the subsidy and accordingly the sanction contained in Government of India, Ministry of Tourism and Civil Aviation letter No. AV-23016/172-AC dated 10th March, 1972 was issued.

2.18. An order for 10 additional aircraft was placed on HAL by the Corporation through a letter dated 29th April, 1970. According to the letter from the Corporation the following stipulations regarding the price for the 10 aircraft has been made:—

“The price to be paid to Hindustan Aeronautics Ltd. for these 10 aircraft will be Rs. 92.742 lakhs per aircraft. Any escalation in this price to be proposed by HAL would be referred to Government for final decision.”

2.19. The Committee enquired the estimated cost for the subsequent order of 10 HS-748 aircraft. They were informed by HAL that according to the current estimate, the cost of each HS-748 aircraft forming part of the order placed in April, 1970 would be Rs. 131.84 lakhs excluding profit, sales tax and excise duty. The break up of the estimate was stated to be as under:—

Element of cost	Rs. in lakhs
1. Airframe	
Labour and overhead	37.97
Material	51.38

Element of Cost	Rs. in lakhs
Amortisation	5.19
Contingencies	4.73
Customs	6.31
	<u>105.58</u>
Additional mods cost per airframe.	3.65
	<u>109.23</u>
<i>Engines (Per Pair)</i>	
Labour and overheads	6.80
Material	10.77
Amortisation	2.34
Licence fee	1.04
Contingencies	0.44
Excise duty & Surcharge	1.22
	<u>22.61</u>
TOTAL	<u>131.84</u>
Total cost of aircraft.	131.84

2.20. The Committee were also informed by HAL that "the modification standard to which the second order has to conform is more advanced than was the case for the first 14 aircraft. Price escalations have taken place all over the world and after taking into account deletions due to greater indigenisation the basic price of each set of aircraft equipment comes to £151,050 f.o.b. There are other boughtout items which are not procured directly from Hawker Siddeley Aviation Ltd., but from other manufacturers in the UK and the total cost of imported material included in the current estimates is approximately Rs. 63 lakhs."

2.21. It has also been stated that "Hawker Siddeley Aviation Ltd. has recently (June, 1972) advised HAL that the selling prices for airline versions of the HS-748 manufactured at Manchester are currently in the £600,000-650,000 bracket dependent on equipment specified, quantity ordered, credit charges etc., and that aircraft manufactured to the Indian Airlines specifications would fall within this price category at the present time."

2.22. According to HAL, "escalation of costs of production in the HAL is part of the general phenomenon of increase in prices encountered in every other field of activity. HAL is, however alive

to the need for controlling costs and expenditure and every effort is being made to control expenditure and live within the estimates quoted except where it becomes impossible to do so owing to factors beyond their control."

2.23. The Committee find that the cost of production of HS-748 aircraft which was estimated at Rs. 45 lakhs in 1965 has gone upto Rs. 131.84 lakhs. While for the 14 aircraft delivered earlier by HAL the Indian Airlines paid a price of Rs. 89.742 lakhs for each aircraft, there is no specific agreement regarding the price payable for the additional 10 aircraft to be delivered by HAL. The letter placing the order by Indian Airlines provides that the price to be paid to HAL for these 10 aircraft will be Rs. 92.742 lakhs per aircraft. But it also mentions that any escalation in this price to be proposed by HAL would be referred to Government for final decision. The Committee feel that the Corporation should have entered into a firm agreement with HAL in regard to the price payable for these aircraft as any escalation in the price would not only result in additional capital expenditure but would also affect the operating cost and consequently the profitability of the Corporation. Even if the provision for future escalation of price was considered unavoidable the broad principles for calculation of escalation should have been spelt out and a ceiling fixed for the total escalation instead of leaving it ambiguous as mentioned in para 2.18 and the order should have been placed after working out the economics of the purchase of the aircraft on the basis of the maximum price payable for it.

C. Delay in Delivery of Aircraft

2.24. The Indian Airlines placed orders for 10 HS-748 aircraft on HAL on 29th April, 1970. To an enquiry whether the HAL had been able to deliver the aircraft as per delivery schedule, the Committee were informed that the delivery dates stipulated in the formal order placed by Indian Airlines on 29th April, 1970 and the actual dates of delivery of the first three aircraft were as follows:—

Aircraft Number	Agreed delivery date	Actual delivery date
1.	September, 1971	21st April, 1972.
2.	October, 1971	30th May, 1972.
3.	December, 1971	25th June, 1972.
4.	January, 1972	

Aircraft No.	Agreed delivery date	Actual delivery date
5.	March, 1972	.
6.	April, 1972	.
7.	May, 1972	.
8.	June, 1972	.
9.	August, 1972	.
10.	September, 1972	.

2.25. As regards the reasons for the delay in the delivery of aircraft, the Committee were informed by HAL that there had been delay of delivery of approximately six months on account of three main reasons. One of them was that the order from Indian Airlines which was expected before December, 1969 did not materialise till April, 1970. Although in October, 1969, Indian Airlines informed HAL that their Directors had approved the purchase of ten aircraft, this was subject to Government's approval. HAL decided that orders for various components etc. should not be placed till the position was clear as the Government would also not have released the required foreign exchange until the position was firm. There were also some difficulties regarding payment by Indian Airlines. The financing arrangements were discussed with Indian Airlines and a mutually satisfactory arrangement was arrived at. It was only on 29th April, 1970 that the Indian Airlines placed an order on H.A.L.

2.26. Another reason for the delay was that when HAL had given the original delivery estimate to Indian Airlines it was on the basis of their original letter which stated that the ten aircraft were to be of the same standard as those already supplied. But in April, 1970 Indian Airlines informed that their order was subject to the aircraft conforming to the latest modification standard available. At that time, HAL did not realise the implications of the latest modifications. On detailed working it was found that there were 250 modifications required as compared to earlier aircraft. It took HAL some time to assess the requirements and to place orders for large number of items which they had not planned for. There had also been delays in the receipt of supplies both from foreign and indigenous sources.

2.27. The Committee were also informed that in regard to imported items Hawker Siddeley Aviation Ltd. with whom advance action was taken and contract for the supply of aircraft sets for 10

aircraft was entered into on 5th March, 1970, prescribed that supplies for the first aircraft set would be made between 24 and 33 months from the date of conclusion of the contract and for the 10th aircraft set between 33rd and 42nd month reckoned from the date of conclusion of the contract. In addition, a manufacturing time cycle of 15 months had to be provided for. In the normal course, the decision to place the order having been taken only in April, 1970, the delivery of the first aircraft, taking into account the lead-time required by Hawker Siddeley Aviation Ltd. would have been between 39 and 48 months after the placement of the order. The first aircraft for the Indian Airlines was however, delivered in approximately 24 months after the placement of the order due to the fact that Indian Air Force had agreed to accept postponed delivery to it of certain aircraft ordered earlier. Out of 10 aircraft three had already been delivered to Indian Airlines. Another three were ready with them and these would be delivered in the next month or so. Remedial action had been taken to overcome all problems contributing towards delays in supplies and it was expected that all the 10 aircraft will be delivered to Indian Airlines before the end of the current financial year unless unexpected snags develop.

2.28. The Committee were also informed by Indian Airlines that the delay in delivery of these aircraft had affected their programme of withdrawal of old and uneconomic aircraft like Dakotas and Viscounts. They had not been able to remove Dakotas from several routes due to shortage of turbo-prop aircraft. Similarly while finalising the contract for the purchase of Boeings, M/s. Boeing Co. agreed to share equally the loss suffered by the Corporation on the viscount aircraft subject to a maximum of \$50,000 Rs. 3.75 lakhs) per aircraft provided that these aircraft were either disposed of or retired from service and scrapped before 30th September, 1972. It was stated that when the Indian Airlines entered into an agreement with M/s. Boeing & Co. they were expecting HS-748 to be received much earlier and therefore they thought that they would be able to retire these by 30th September, 1972. But in view of the delay, they had already moved the Boeing & Co. to extend the credit by one year to allow the Corporation to use Viscounts and to dispose them of by 31st December, 1973.

2.29. The Committee regret to note the delay in acquisition of 10 HS-748 aircraft by the Indian Airlines. As pointed out by HAL, although the Corporation had informed HAL in October, 1969 that the purchase of ten aircraft had been approved by the Board of Directors, it was only on 29th April, 1970 that the order was placed on H.A.L. The delay was stated to be due to time taken in obtain-

ing approval of Government and the settlement of terms of payment. It is surprising that it should have taken the Corporation 6 months to settle these matters.

2.30. The Committee also find that the delay in the receipt of these aircraft has affected the programme of phasing out of uneconomical and outmoded aircraft resulting in increased operational expenses. The Committee would urge that timely action should be taken to assess the future requirements of aircraft more realistically and orders placed well in advance to ensue delivery of the aircrafts according to the needs of the Corporation.

D. Performance of HS-748 Aircraft

2.31. A Technical Committee was appointed by the Government of India in January, 1971 to examine the performance of HS-748 aircraft in use with the Indian Airlines. The Technical Committee, which submitted its Report in August, 1971, made the following recommendations:—

- (i) The performance of new production aircraft, before issue of initial certificate of Airworthiness should meet in full the 'Gress' Flight Manual requirements.
- (ii) On production aircraft, single engine tests, with starboard engine operative should also be carried out and recorded in the Production Flight test reports
- (iii) The Director of Aircraft Inspection of the D.G.C.A. at Kanpur should exercise greater checks to ensure compliance of recommendation (i) above.
- (iv) The importance of correctly performing the "Mintorque Checks" and recording these in the relevant log books during Maintenance of the aircraft cannot be over-emphasised.
- (v) Periodic in-situ cleaning of compressors and other measures recommended in Rolls-Royco N.T.O. No. 1028 "Routine Measures to maintain performance at an acceptable level during engine life" dated March 1967 are considered essential.
- (vi) Introduction of single engine tests (both port and starboard engines) for second segment and on-route conditions in the C of A|Major Check Flights is essential. Similar tests should be called for on Engine Change Test Flights also.

- (vii) Indian Airlines should ensure that the performance of the aircraft after test flights for C of A Renewal|Major Checks and Engine Changes are satisfactory. The Director of Aeronautical Inspection of the D.G.C.A. should also closely monitor the performance obtained in these tests flights.
- (viii) Importance of I.A. employing suitably trained pilots for carrying out special test flights during C of A Renewal|Major Checks and Engine Changes cannot be over-emphasised.
- (ix) In the interest of airworthiness safety and control, participation by Civil|Military airworthiness engineers in the Technical Discussions at the periodic Operators Conference relating to aircraft|acro engine manufactured operated in India and organised by manufacturers and others like I.A.T.A. is essential:

2.32. Subsequently a task force was also set up by Government to examine the Report of the Technical Committee which submitted its Report on 7th November, 1971. The Committee were informed by Indian Airlines that the recommendations of the Task Force could be broadly classified into two clauses i.e. Production HS-748 delivered to Indian Airlines; performance of inservice aircraft. The extract of recommendations are given below:—

Production HS-748 aircraft delivered to I.A.

“ . . . The task force recommends that Hindustan Aeronautics Limited and Director of Aircraft Inspection, Civil Aviation Department should in future not accept shortfalls below standards prescribed by the Director General of Civil Aviation. It is further recommended that in respect of these flight tests, Hindustan Aeronautics Ltd. should adopt a procedure followed by M|s. Hawker Siddley Aviation Limited.”

Performance of inservice aircraft

(i) *Observations:*

“In this connection it will be mentioned that with A.R.B. permit a climb gradient of 7 per cent for a period not exceeding a year for individual inservice aircraft. It will thus be seen that the actual performance of the Indian Airlines aircraft examined by the Technical Committee is well above

the requirements. Further the average works out to 1.13 per cent, which is well above a fleet in performance of .9 per cent permitted by A.R.P. This confirms that fleet of the Indian Airlines is satisfactory and the safety is in no way compromised."

(ii) *Recommendations:*

"While the performance of the inservice aircraft put and should be improved there is no basis to state that Indian Airlines fleet is not safe for operation in any way. The task force recommends that Indian Airlines should continue to follow the current procedure of the engine power checks."

"...The task force deems it necessary to reiterate that the airworthiness of any aircraft is to be judged only by a reference to the performance listed in the approved flight manual and not by a reference to the Operation Performance Manuals. The latter two documents have no validity in relation to airworthiness of an aircraft."

2.33. The Committee enquired about the action taken by the Indian Airlines to implement the recommendations of the Technical Committee and the Task Force. They were informed that the recommendations were implemented by Indian Airlines. However, in actual practice, considerable difficulties were experienced in obtaining the desired performance. This matter was discussed with a team of experts of M|s. Rolls Royco and HSAL. M|s. Rolls Royco have now published (as a result of discussion) a technique for augmenting power during take off and second segment climb.

2.34. During evidence of the representatives of Indian Airlines the Committee enquired from the Managing Director of the Corporation his experience about the performance of HS-748 aircraft. The Managing Director stated that "the aircraft is supposed to carry an all-up weight of 44,495 pounds and at the moment it is carrying that weight and its performance has been quite satisfactory. My practical experience is that this aircraft is performing according to flight manual in regard to the all-up weight and other specifications for the second segment and so on."

2.35. The Committee referred to the Report of the Technical Committee appointed to examine the performance of this aircraft. The Managing Director stated that "in the technical committee certain aircrafts were tested and there are certain standards laid down for operation of any type of aircrafts. That is it must have a certain

performance for what is called the second segment. There is an overall standard laid down for the entire fleet and the performance of each aircraft. Individually, certain aircrafts were slightly below form, but the average mean of the fleet was of the required standard. Further, as a result of the technical Committee, certain modifications came on and also certain improvements in maintenance techniques. The performance of even individual aircraft and the overall fleet performance is better today than what it was before. It does not mean that it was low at that time. It was within limits, but it is better now."

2.36. Asked whether there was any hazard as far as safety is concerned, the Managing Director state "None, whatsoever".

2.37. The Committee referred to the Press Reports that when at the outset the Government wanted Indian Airlines to go in for the acquisition of Avros, the Indian Airlines resisted it. Asked whether the resistance was purely on economic grounds or whether it had anything to do with the performance of the aircraft also from the technical point of view, the Managing Director stated that the objection, if at all, could have been only on economic grounds.

2.38. The Committee also discussed the matter with the Secretary of the Ministry of Tourism and Civil Aviation during the course of oral evidence. They enquired about the considerations on which the purchase of HS-748 aircraft was decided by Indian Airlines. The Secretary of the Ministry stated that the question of manufacturing an aircraft for the Air Force came up for consideration in 1959. At the same time there was a question of a plane for civil purposes. It was decided by the Government that HS-748 should be manufactured in India for the Air Force. Once that decision was taken it was naturally felt, in view of the fact that it is very expensive business to manufacture aircraft and the plane was being manufactured in India under licence, that the Indian Airlines should also use the plane. So, it was really in that context that this decision was taken.

2.39. The Committee pointed out one of the defects reported about this aircraft was that it was not fit for summer season. They were informed by the representative of HAL that certain modifications were considered necessary for safe flying over certain temperature. To enable operation at 50 degree C. instead of 45 degree C. the estimated cost of modification was Rs. 40,000 per aircraft. Indian Airlines gave a firm indication in March, 1972 that they would like these modifications on 12 of the aircraft and the Hindustan Aeronautics Limited was in the process of manufacturing these items. Sometimes would have to be imported also for which an order had been placed.

2.40. Asked whether it would still be economical to operate this aircraft after adding the cost of these modifications, the representative of Hindustan Aircraft Limited stated that the addition of Rs. 40,000 over the total cost of the aircraft should not add significantly to the total operating cost.

2.41. The Committee, however, find in his statement in Lok Sabha on the 16th March, 1973, the Ministry of Tourism and Civil Aviation stated, *inter alia*, as follows:—

“The Avros have been the subject of a prolonged controversy going back to even before I assumed charge of this Ministry. Doubts have been expressed from time to time regarding their safety, but the advice I have received from the manufacturers, Hindustan Aeronautics Ltd., the operator, Indian Airlines and the Director-General of Civil Aviation, who is the authority statutorily charged with ensuring the air-worthiness of civil aircraft, has consistently been that the planes are entirely safe.

The fact remains, however, that the country and Parliament are exercised over this issue.”

2.42. On the 20th March, 1973, the Minister of Tourism and Civil Aviation informed the House that “with regard to Avros, we have decided to institute a high level examination of all the aspects involved. I hope to be able to announce the details of this within the next few days”.

2.43. Subsequently, the Minister informed Lok Sabha on the 23rd March, 1973 that “the evaluation will be conducted by Dr. Satish Dhawan, Director, Indian Institute of Sciences, Bangalore. He will be assisted by technical advisers drawn from the Indian Air Force, Air India, Indian Airlines, Department of Defence Production and the National Aeronautical Laboratory. The evaluation will cover all aspects of the AVRO, with special reference to its safety under various operating conditions. The report will be submitted within 60 days from the date of the Evaluation Team starts its work.”

2.44. The Committee find that, according to the Report of the Task Force set up by Government of India and the evidence tendered by the Indian Airlines, the performance of HS-748 Aircraft already in operation with Indian Airlines is satisfactory and there is no hazard whatsoever as far as safety is concerned. However, as stated by the Minister of Tourism and Civil Aviation, the fact remains that the performance of Avros has been the subject matter of prolonged

controversy and a decision has now been taken by Government to institute a high level examination of all the aspects involved. The Committee would like to be informed of the results of examination.

E. Purchase of Boeing 737

2.45. In January, 1968 the Corporation submitted a proposal for fleet augmentation requesting the Government to approve in principle the purchase of five (100 plus seater) aircraft with option to purchase two more. The cost of the project was estimated at Rs. 23.90 crores (including Rs. 1 crore for the simulator).

2.46. The question of selection of aircraft for augmentation of capacity on trunk and high density routes was examined by a Technical Committee of the Corporation which submitted its report on 30th May, 1968. The Committee after evaluating various types of aircraft, recommended that from the point of view of operating cost, airport performance, engineering facilities and Indian conditions, the Boeing-737 would be the most suitable plane to be used on trunk routes. The Board of the Corporation, after considering the recommendation of the Technical Committee, price reduction offered on aircraft etc., and all other aspects, recommended to the Government of India on 26th July, 1968 that the Corporation should go in for DC-9.

2.47. The matter was examined by Government and certain clarifications were sought for from the Corporation. After reviewing the matter, the Corporation revised its earlier decision and decided to go in for the purchase of Boeing-737-200 aircraft. In conformity with this decision, the Corporation in May, 1969, sought for the approval of Government to the purchase of 5 Boeing 737-200 aircraft.

2.48. On 30th May, 1969, the Ministry again sought for certain clarification from the Corporation. After reconsideration of the matter on 17th June, 1969, the Board held that the reasons which led to the change of earlier decision regarding the purchase of DC-9 and to recommend the purchase of Boeing-737 were no longer valid. The Board, therefore, reiterated its earlier decision to purchase 5 DC-9 aircraft and communicated it to the Ministry on 18th June, 1969.

2.49. On 25th August, 1969, Government appointed a Study Group called Indian Airlines Aircraft Evaluation Group to evaluate the 4 planes, namely Boeing 737, Boeing 727, TU-154 and BAC-111. The evaluation of DC-9 aircraft was not, however, included in the terms of reference of this Committee. The Group recommended on 29th

December, 1969 that "on strictly economic grounds, Boeing 737-200 is the best possible plane. On technological considerations also there is nothing to warrant any other choice." Accordingly, Government agreed on 14th January, 1970 for the purchase of Boeing 737-200 aircraft.

2.50. The first Boeing was delivered to the Corporation at Seattle on 9th November, 1970, two in December, 1970, and one each in the months of January to April, 1971.

The cost of the Boeings has been estimated in 1970 at Rs. 3,335.43 lakhs including foreign exchange component of Rs. 3,032.43 lakhs but excluding:—

- (a) cost of simulator (Rs. 176.36 lakhs);
- (b) cost of two additional engines (Rs. 57.72 lakhs); and
- (c) financing charges (Rs. 822 lakhs).

2.51. The Committee enquired the basis on which the Corporation decided to acquire a particular type of air-craft. They were informed that "the selection of the air-craft is made as far as possible on commercial considerations. In normal circumstances the selection of the aircraft is governed primarily by the following parameters:

- (a) The present state of technological development of the industry.
- (b) Characteristics of the market for passengers and freight traffic and customers preference, especially foreign tourists to India.
- (c) Characteristics of Indian Airlines network namely:—
 - (i) airport capability;
 - (ii) stage-length between each city-pair.
- (d) Technical performance of the aircraft;
- (e) Economics of operation the aircraft in all its aspects. e.g. fuel consumption, manpower requirements, spares and ground support equipment communication facilities.
- (f) Navigational facilities.
- (g) Investment criteria, such as, return on investment, minimum cost, minimum investment, maximum profit.

After proper scanning of the aircraft available in the market and studying their suitability to Indian conditions, the Corporation makes proposals for the approval of the Government."

2.52. The Committee enquired as to why it took the Corporation/ Government 19 months in deciding the type of aircraft to be purchased after the Report of the Technical Committee of the Corporation which suggested the purchase of Boeing 737 aircraft. They were informed by Indian Airlines that "technological conditions in air transport are such that often the choice between different types of aircraft is extremely difficult to arrive at or to justify in purely technological terms. Thus often judgemental, non-quantifiable considerations have to be introduced and this may become a matter of controversy and a cause of delay in arriving at a final decision. This fact together with wide public interest created around the selection of aircraft fleet of Indian Airlines in 1968/69 resulted in a period of 19 months elapsing before a final decision was reached on the positive side."

2.53. As regards measures adopted to expedite decisions in this regard, it was stated that "there are two main reasons for delay in arriving at decisions. First is the technical requirement of preparing scientific and complicated evaluation studies of a wide variety of aircraft. The Corporation has been improving their techniques in this respect. Extensive use of computer facilities is being made to be able to take into account in the briefest possible space of time, the maximum possible number of relevant parameters. Furthermore, to obtain best possible results in this endeavour, they have secured the cooperation of academic institutions in the preparation of our fleet planning system, by organising a "THINK TANK" in which airline and academic experts share their experience and their knowledge of these matters.

Another source of delay is stated to be the present relationship between the Corporation and the Government Departments which have to finally approve the proposals. Once the technical studies of Indian Airlines are completed, and approved by the Management, they have to be submitted to the further approval of firstly, the Board of Directors (which includes representatives of the Ministries of Civil Aviation and Finance) secondly the Ministry of Tourism and Civil Aviation, thirdly, the Finance Ministry, and fourthly, the Planning Commission. It may have to be referred to the Cabinet. The procedures which have to be followed in this decisions path are necessarily time consuming and mitigate against speedy decisions."

2.54. The Committee also enquired during evidence whether any loss was suffered by the Corporation due to delay in taking decision about the purchase of Boeing-737. The representative of the Corporation stated as follows:—

“In fact in the case of Boeing-737, I think the price went up. There was an escalation in the price of the engines while we were discussing whether we should go in for Boeing-737 or DC-9. The cost also slightly went up, and meanwhile our capacity problem became acute. Supposing we had got the aircraft earlier, we would have been able to earn revenue; that way, there is also loss to the Corporation.”

2.55. Explaining the reasons for the delay, the Secretary of the Ministry of Tourism and Civil Aviation stated during evidence that the Corporation sent a technical team abroad consisting of Senior Officers to make a study of the various types of aircrafts available and this team recommended in May, 1968 that Indian Airlines might go in for Boeing 737 aircraft. But the Corporation, after considering the Report of the technical team felt that instead of Boeing 737 they should go in for DC-9 and sought the Government's approval to the issue of letter of intent for the purchase of this aircraft. But when the Government after examination of the Corporation's proposal called for certain additional information, the Corporation changed their views and recommended the purchase of Boeing 737. This was reviewed by the Ministry and they supported the proposal. This was in May, 1969. But round about this time Government came to know about some shady deal. Allegations were made that a senior officer of Indian Airlines was involved in some shady deal with the manufacturers of the DC-9. Naturally, this required a thorough probe. Ultimately a technical team was constituted by Government to go into the question of the suitability of the type of aircraft excluding DC-9 in view of the fact that a representative of DC-9 aircraft was involved in this shady deal. This technical team gave a report after details studies taking all aspects into account and recommended the purchase of Boeing 737 aircraft. The report of the Committee was received by the Ministry on 29th December, 1969 and within about a fortnight i.e. on 14th January, 1970 approval was given for the purchase of seven 737 Boeings.

2.56. The Committee were also informed during the evidence that the Government referred the allegations regarding the shady deal to CBI on 24th July, 1969. The CBI took up the matter on the 26th July, 1969 and the charge sheet was filed in the Court on the 20th of November, 1969 against the then Director of Operations of Indian Air-

lines and one representative of a firm in India. The charges were under various sections i.e. Section 120B read with Section 161 and 165A of I.P.C. and Section 5(2) of the Prevention of Corruption Act, 1947. The case was still pending in the Court.

The Committee were also informed that the then Director of Operations of Indian Airlines had been suspended from service.

2.57. The Committee also enquired during evidence of the representatives of the Ministry of Tourism and Civil Aviation, whether any final decision had been taken regarding the type of aircraft to be purchased for augmentation of the fleet in the Fifth Five Year Plan. The Secretary of the Ministry stated that the Indian Airlines started a study of their fleet requirements right upto 1980 in August, 1971. These studies were extremely difficult and complicated in the sense that studies had to be made not only about the type of plane required but also the traffic projections, cargo projections, rate pattern, aircraft facilities required, etc. The Indian Airlines had completed some studies, but they had not yet decided as to which type of aircraft would suit their requirements. When the Corporation finally comes to some conclusions, it would approach Government for permission and sanction to buy new aircraft. It would not take very long for Government accord permission.

2.58. The Committee find that although the Technical Committee of the Indian Airlines recommended as far back as 30th May, 1968 that from the point of view of operating cost, airport performance, engineering facilities and Indian Conditions, the Boeing 737 would be the most suitable plane to be used on trunk routes, it was only on 14th January, 1970 i.e. after more than 19 months that Government approved the purchase of seven Boeing 737 aircraft. The main reason advanced for the delay was that the Board of Directors of Indian Airlines changed twice their decision about the type of the aircraft to be purchased and the Government came to know about some shady deal by a Senior Officer of Indian Airlines with the manufacturers of the DC-9, which required a thorough probe. Ultimately Indian Airlines Aircraft Evaluation Group was constituted by Government on 25th August, 1969 to evaluate the four planes namely Boeing 737, Boeing 727, TU-154 and B.A.C.-111. The Report of the Evaluation Group was received by the Ministry on 29th December, 1969 and approval given by the Ministry on 14th January, 1970.

The Committee regret to note that on account of delay in taking decision about the type of aircraft to be purchased by Indian Airlines, there had not only been escalation of price of Boeing-737 but the delay has resulted in loss of revenue to the Corporation.

2.59. The Committee also desire that the prosecution case against the officer of the Indian Airlines alleged to be involved in a shady deal with the manufacturers of DC-9, which is at present pending in the court should be pursued. The Committee would like to be informed of the final outcome of the case.

2.60. The Committee are distressed to find that the Corporation have not uptill now submitted to Government their proposals for augmenting their fleet during the Fifth Five Year Plan. The Committee feel that the Corporation with its experience of placing orders for Boeings in 1968-69 should have learnt the lesson and done advance planning for purchase of the aircraft. The Committee feel that the Government should take the initiative in the matter and ensure that a perspective plan for new aircraft (covering both requirements on additional and replacement account) is prepared having regard to the trends of traffic and other relevant technical considerations. It should be possible to draw up this perspective plan in detail in the light of the exercise done by the Corporation's own technical team in 1968 and the parameters and criteria evolved by the Indian Airlines Aircraft Evaluation Group appointed by Government in 1969. The Committee have no doubt that in selecting the aircraft, Government would ensure that it makes for economic operations and maintenance and is best suited to the Indian conditions and becomes available in time.

F. Replacement and disposal of Aircraft

2.61. As mentioned in para 2.3 of this Report, the fleet of Indian Airlines contained some old uneconomic aircraft like Dakotas and Viscounts. The breakeven load factor for these aircraft was 250 per cent and 120 per cent respectively. The position regarding the replacement and disposal of these aircraft was as follows:—

(i) Dakotas:

2.62. Although the need for replacement of Dakotas was felt long ago and the first programme of phasing out of Dakotas was drawn up in 1959, much progress could not be made in the replacement of Dakotas on account of difficult foreign exchange position.

2.63. Out of 29 Dakotas in possession as on 31st March, 1968 two aircraft met with accidents on 5th April, 1968 and 18th February, 1969 and four were sold in 1968-69. 15 aircraft had been grounded on various dates from 22nd November, 1967 onwards and the remaining 8 continue to be in operation.

2.64. During June, 1968 to December, 1970 the Corporation received offers from various parties in India and abroad for the purchase of certain Dakotas but no deal could materialise.

2.65. Pending disposal of these aircraft, the Corporation has not only been incurring expenditure of Rs. 84,204 per annum (Rs. 72,000 for parking and mooring charges and Rs. 12,204 as the maintenance cost) on the 15 grounded Dakotas but also maintaining the heavy inventory of spares of the value of Rs. 145.16 lakhs.

2.66. The Corporation stated in November, 1971 that 6 DC—3 aircraft had been sold up to 31st August, 1971 at a total price of Rs. 4.97 lakhs. 4 aircraft were also sold to Border Security Force in October, 1971, at a total price of Rs. 12.40 lakhs. after getting them overhauled from M/s. Air Works India Ltd., Bombay. The remaining 5 Dakotas were still available for sale.

2.67. The Committee enquired the procedure followed for the sale of aircraft and the fixation of the sale price. They were informed that, after the aircraft are declared surplus to requirements, the particulars of such aircraft are forwarded to the Ministry of Defence, I.A.F. etc. to indicate their requirements. After meeting their requirements, if any, and obtaining their clearance, these are offered for sale to other operators in the country and abroad. If considered necessary, the advertisements are released inviting offers for the aircraft and particulars are also forwarded to the prospective buyers who may have shown interest in the purchase of such aircraft in the past and also to the operators of the type of equipment the world-over. Reserve price of the aircraft is fixed by the competent authorities and wherever necessary approval of the Board is also obtained. Approval of the Government of India under Section 35(c) of the Air Corporations Act is also obtained where the acquisition cost or book value of the aircraft exceeds Rs. 10.00 lakhs. Offers received are finalised in consultation with the Management.

2.68. The Committee also enquired the reasons for the delay in the disposal of surplus aircraft. They were informed that the phasing out programme of Dakota aircraft was linked with the acquisition of Avro aircraft and serious efforts for their disposal were initiated towards the end of the year 1967 when the Corporation started receiving Avros. Particulars of 18 Dakota aircraft which were assessed surplus to the requirements were forwarded to the I.A.F. which in the first instance, selected 10 aircraft—7 Freighters and 3 passenger, and requested for immediate delivery thereof during July/August, 1968. Pending settlement of the price to be paid by the I.A.F., delivery of 3 aircraft was made to them during September, 1968. In the meantime 4 more aircraft were sold, 1 each to M/s

H.A.L., Maharashtra Government, M/s. Jamair Co. Private Ltd. and Hindu at Rs. 3.50 lakhs each. While the Corporation was still in correspondence with the Ministry of Defence and I.A.F. for the settlement of the price for the 3 aircraft already delivered to them and further aircraft proposed to be acquired by them, the I.A.F. in the month of July, 1969 advised that they were not interested to acquire any more Dakota aircraft and that the remaining aircraft could be sold elsewhere. Accordingly, with the approval of the Board, the sale of the surplus Dakota aircraft was advertised from time to time as follows:—

Date	Number of Parties to whom technical details of the aircraft were sent	No. of Parties responded	No. of Actual offers received
22-8-1969	4	2
Dec. 1969/Jan. 70.	8	2

2.69. One of the two offers received as a result of advertisement in August, 1969 was on behalf of a foreign party for purchase of 5 aircraft at Rs. 80,000.00. each. While the matter was still under the consideration of the Government for approval of export of aircraft and the details of sale agreement were under finalisation, the party withdrew their offer as their foreign clients reportedly had in the meantime met their requirements from other sources. The other offer was received prior to the release of the advertisement and the party was advised to make their offer but the party did not respond.

2.70. The offers received in response to advertisement in December, 1969/January, 1970 were considered too low and the negotiations with the parties did not materialise in any sale. They also received some enquiries from parties abroad but they were interested only in the aircraft in "fly-away" condition and hence they could not avail of their offers.

2.71. Particulars of aircraft were also forwarded in January, 1971 to a large number of parties who had showed interest in the purchase of these aircraft in the past and also to the foreign parties who were operating this type of aircraft. As a result, sale of two aircraft materialised as follows:—

1. M/s. Orissa Cement Ltd.—1 at Rs. 1.25 lakhs.
2. M/s Birla Jute Mfg. Co.—1 at Rs. 1.25 lakhs.

2.72. The details of the deals, subsequently finalised for remaining 8 aircraft including 4 sold after August, 1971 were as follows:—

Name of the Party	No.	Date	Price
1. M/s. J. K. Chemicals.	3	April '71	Rs. 1.82 lakhs
2. M/s. Orissa Cement Ltd.	1	May '71	Rs. 0.65 lakhs
3. Border Security Force	4	Oct '71	Rs. 12.40 lakhs

2.73. The Committee were also informed that the engines installed on first two aircraft sold to M/s. Orissa Cement Ltd. and Birla Jute Mfg. Co. in February and March, 1971 had sufficient life available. The sale of these aircraft was effected as a result of advertisement and subsequent sales were finalised by negotiations.

2.74. The Committee enquired the reasons for entrusting the work of overhaul of 4 DC-3 aircraft sold to Border Security Force to M/s. Air Works India Ltd., Bombay instead of doing the work in the workshop of Indian Airlines. They were informed that since the Indian Airlines were unable to undertake overhaul of aircraft and the fact that their overhaul by Indian Airlines would have been much more expensive, it was decided in consultation with the Border Security Force to entrust the overhaul of aircraft to M/s. Air Works India, Bombay. The engines were, however, overhauled by Indian Airlines. The following break-up of the cost of overhaul of engines and aircraft had been assessed:

Cost of overhaul of 2 engines	Rs.	1,20,000
Cost of ferry flight	Rs.	12,500
Cost of making the aircraft ferryable	Rs.	9,000
Cost of C of A overhaul	Rs.	95,000
Cost of Cabin furnishing	Rs.	15,000

2.75. The Committee also enquired whether the spares were also sold along with the aircraft and if not how the spares would be utilised after the disposal of aircrafts. They were informed that no spares were sold along with the aircraft as the parties did not indicate any requirements for spares. However, 4 overhauled engines had been sold to Border Security Force along with aircraft at the price of Rs. 0.75 lakh each.

2.76. As regards steps taken for the disposal of spares, the Committee were informed that the Corporation had been exploring

possibilities of sale of spares for Dakota aircraft. Spares for Dakota Aircraft of the value of approximately Rs. 5.00 lakhs had been sold to I.A.F., H.A.L. and non-scheduled operators during the last three years. Surplus lists of Potables of the value of Rs. 22.00 lakhs and engine spares of the value of Rs. 5.00 lakhs had been compiled and circulated to I.A.F., H.A.L. and other non-scheduled operators and their replies were awaited. In the face of limitations of the market for these spares which were available all over the world in abundant quantity, all possible efforts were being made to sell them. The spares remaining unsold would ultimately have to be scrapped.

(ii) *Viscounts:*

2.77. In the case of 14 Viscounts the phasing out programme was linked up with the purchase of the Boeing aircraft. While finalisation the contract for the purchase of Boeings, M/s. Boeing Co. agreed to share equally the loss suffered by the Corporation subject to a maximum of \$ 50,000 (Rs. 3.75 lakhs) per aircraft provided that these aircraft were either disposed of or retired from service and scrapped before 30th September, 1972. As per the terms of the agreement, the base price of the aircraft on which profit and loss is to be calculated as on 30th September, 1972 would be \$ 1.95 lakhs (Rs. 14,62,500) per aircraft.

2.78. In order to assess the prospects of the sale of Viscounts the Corporation made enquiries from several world airlines operating Viscounts. The enquiries showed that the market value of these aircraft had been dwindling very fast.

2.79. In December, 1970, the Corporation assessed the economics of scrapping these aircraft after salvaging important items for use on the F-27 and Avro aircraft, which indicated that the total realisable value would be of the order of Rs. 3.05 lakhs approximately per aircraft. On 8th December, 1970 the Corporation approached the Government of India for permission to dispose of 8 Viscounts which was accorded on 21st January, 1971.

2.80. Out of these, two have been disposed of and the remaining six are being scrapped as there were no buyers for this type of aircraft. The Committee were informed that the Corporation had advertised in international journals but had not been able to secure any reasonable offer.

2.81. Asked about the expenditure being incurred on the grounded aircraft, it was stated that the Corporation was paying the ground rent to D.G.C.A./I.A.A.I. The parking fee was of Rs. 2,800 per quarter per aircraft. They were not incurring any expenditure on maintenance.

2.82. As regards the remaining six aircraft which were still in service, the Committee were informed that the delay in the supply of HS-748 aircraft has created shortage of capacity and it had therefore become necessary to continue operating Viscount Aircraft on certain routes on which they could have been replaced by some other aircraft. The Corporation approached the Boeing Aircraft Company for extension of time for the disposal of these aircraft till 31st December, 1973 which had been agreed to.

2.83 The Committee view with concern the delay in the disposal of surplus Dakotas and Viscount aircraft. As mentioned in paragraph 2.63 15 Dakotas were grounded on various dates from 2nd November, 1967 onwards. Pending disposal of these Aircraft the Corporation had been incurring expenditure of Rs. 84,204 per annum (Rs. 72,000 for parking and moving charges and Rs. 12,204 as the maintenance cost) on the grounded aircraft. Even at present there were five Dakotas pending disposal. Similarly in the case of Viscounts, 6 aircraft were pending disposal and the Corporation was incurring an expenditure of Rs. 69,600 per annum on parking charges. Besides, the Corporation was maintaining heavy inventory of spares for both the types of aircraft.

2.84. The Committee find that the Indian Air Force selected 10 DC-3 aircraft and requested for immediate delivery during July/August, 1968. Instead of delivering these aircraft immediately as required by the Indian Air Force, the Corporation delivered only 3 of these aircraft to I.A.F. during September, 1968, pending settlement of price. The matter remained under correspondence till July, 1969 i.e. for about a year when IAF informed Indian Airlines that they were no longer interested to acquire any more Dakota aircraft. Similarly the offer received from a foreign party for purchase of 5 aircraft as a result of advertisement in August, 1969, did not materialise into a sale order. Because of delay in finalisation of the sale agreement and the approval of Government for the export of aircraft, the party withdrew their offer, as their foreign clients had in the meantime met their requirements from other sources. The Committee regret to note that the Corporation failed to act with the promptitude expected of a commercial organisation of the standing of Indian Airlines in dealing with such cases.

2.85 The Committee hope that every effort would be made to dispose of expeditiously the aircraft surplus to the requirements of the Corporation to avoid the locking up of capital and the expenditure incurred on their parking and maintenance.

III

OPERATIONS

A. Development of services

3.1. The table below summarises the position of cities served on scheduled services operated by the Corporation from inception to 1970-71:—

Year.	Foreign		Trunk		Regional		Total	
	Number of cities served	Number of services operated	Number of cities served	Number of services operated	Number of cities served	Number of services operated	Number of cities served	Number of services operated
1953-54	11	15	4	5	41	23	56	43
1955-56	9	10	4	5	40	34	53	49
1960-61	7	12	4	10	51	52	62	74
1964-65	8	12	4	12	55	57	67	81
1965-66	7	11	4	13	55	62	66	86
1966-67	4	7	4	12	51	52	59	71
1967-68	4	10	4	10	54	58	62	78
1968-69	4	11	4	11	56	70	64	92
1969-70	4	10	4	11	59	74	67	95
1970-71	4	10	4	15	61	77	69	102

3.2. It will be seen from the above table that the Corporation has been expanding its net work since its inception. While the number of cities served increased from 56 in 1953-54 to 69 in 1970-71, the number of scheduled services has more than doubled i.e. from 43 to 102 during the same period.

3.3. The Committee were also informed that five more stations were added during 1971-72 bringing the total number of stations served to 74. The Corporation had achieved a net work of 260.472 million kilometres in 1971-72 as against 17.832 million km. only in 1953-54.

3.4. As regards the reasons for the increase in number of stations being not compatible with the increase in the number of services and the kilometres flown, it has been stated that commercial affinities continue to increase within a certain number of city pairs and thus with the same number of stations served, the capacity offered continues to increase.

3.5. In this connection, the Committee find that the density of on line stations in India is very low as compared to other advanced countries. Whilst in U.K., there is one airport for scheduled operations every 5,000 sq. kms. and in Japan one every 8000 sq. kms. in India, there is only one airport every 50,000 sq. kms.

3.6. The Committee enquired the policy and drill followed by the Corporation in the matter of development of services. They were informed that the general policy followed by the Corporation in the matter of development of air services was to carry out surveys in order to expand the net-work by connecting more and more cities based upon:

- (i) the resurgence of economy and industrial expansion;
- (ii) places of tourist interest;
- (iii) connections to places where surface travel is difficult.

After the above three conditions were met, Indian Airlines could only commence air services on the availability of airfield facilities and airfield capacity.

3.7. The Corporation had intimated Audit in February, 1971 that services to Dieu, Nasik, Tirupati, Barapani, Raipur, Jabalpur, Calicut, Jodhpur and Muzafarpur could not be operated due to lack of airfield and allied facilities and also for want of aircraft. Out of these Jodhpur, Nasik, Muzafarpur and Raipur were brought to the air map with effect from 15th October, 1971. As regards, other stations, the Corporation stated that it could have operated services to Dieu, Barapani, Jabalpur, Tirupati and Calicut but could not do so because of lack of air field and allied facilities. In the earlier stages, perhaps some of the stations could not have been connected, even if airport facilities were available, due to lack of aircraft but with the addition to the IA fleet, this could now be possible in the near future but for lack of airport facilities.

3.8. The position in regard to each station was as follows:—

- (i) Dieu: So far not connected due to unsuitability of airfield facilities. D.G.C.A. hoped to provide necessary facilities during the 5th Five Year Plan. Services can be commenced only thereafter.

- (ii) Tirupati: IA had planned to start a service to Tirupati from July, 1972 but due to delay in the readiness of the airfield and the necessary facilities this could not be accomplished. The airfield together with the necessary facilities and a proper approach road would be available by October, 1972.
- (iii) Barapani: Service not started due to lack of airfield and other facilities. This airfield was expected to be ready within the next 1 or 2 years. Service could be started then only.
- (iv) Jabalpur: Service not started due to lack of airport facilities. The Corporation was in correspondence with DGCA for advice as to the likely date when the airfield would be ready for HS—748/F-27 operations.
- (v) Calicut: Service not started due to lack of airfield and other facilities. The matter was under purview of the DGCA regarding building of the airfield but no definite date was available.

3.9. During evidence of the representatives of the Ministry of Tourism and Civil aviation, the Committee enquired the reasons for the delay in development of the required airfield facilities at the Stations to which the Corporation wanted to operate their services. The Secretary of Ministry stated that so far as Dieu was concerned, it was correct that the Indian Airlines did express their desire to operate the service in November, 1969 and again in August, 1970 but due to various other priorities at that time it was not possible to undertake the necessary improvements. The work had, however, been taken up and would be completed as soon as possible. As regards—Barapani, (Mohanbari) the construction of aerodrome had been sanctioned last year at a cost of Rs. 130 lakhs. So far as Jabalpur was concerned, they had sanctioned an estimate amounting to over Rs. 17 lakhs for strengthening the run-way and they hoped to take up and complete the work as quickly as possible. For Calicut, the site had been selected and land acquired. An estimate amounting to Rs. 110 lakhs was being processed and the work would be taken up as soon as the financial clearance and approval of the Planning Commission was obtained.

3.10. The Committee were also informed that the development of airport facilities had to be in a phased manner taking into consideration the requirements and the availability of funds.

3.11. The Committee pointed out that according to the report of the Sen Committee, the modernisation of the domestic airport and other facilities for customer services had not kept pace with the demand and the growth of air services in the country. The Sen Committee pointed out that in the Fourth Five Year Plan, funds allotted for domestic airports were very much lower than for international airports. The Sen Committee also suggested the creation of an Authority similar to International Airport Authority in the alternative amendment of the Airport Authority to be called 'Internal Domestic Airport Authority or Act to make the International Airport Authority, the common Authority for both international and domestic airports. The Committee enquired about the reactions of the Ministry on the above observations of the Sen Committee. The Secretary of the Ministry informed during evidence that in the Fourth Plan, the allotment was Rs. 40.45 crores for international airports and Rs. 2.07 crores for domestic airports. This had been considered and the allotments had been revised. According to the latest position, the international airport allotment stands reduced to Rs. 32.2 crores whereas for domestic airports, the amount had been increased from Rs. 2.07 to Rs. 14.32 crores which included continuing schemes from the Third Plan period. It was also stated that the international airports were very heavily used by the Indian Airlines also. The very fact that they were international airports meant that heavier, faster and bigger planes used these airports with the result that they had to give them much more intensive treatment. As regards the suggestion for the creation of a Domestic Airport Authority, the Secretary of the Ministry stated that they did not consider it necessary at present to constitute a Domestic Airport Authority. The work was being done by the DGCA and they considered this adequate for the present.

3.12. The Committee find that the Indian Airlines had been expanding its net work since its inception. There had been increase both in the number of stations and the scheduled services operated by the Corporation. The Committee, however, find that some of the new stations could not be connected by air, even though Indian Airlines desired to operate in these places, because of lack of airfields and allied facilities. The Committee fail to understand as to why there should not be a closer co-ordination between the D.G.C.A. and the Indian Airlines so that within the funds available there is proper synchronisation between the Corporation's ability to operate the service to any station and the completion of the required airports and allied facilities by the D.G.C.A.

3.13. The Committee note that the number of cities served by the Corporation has increased from 56 in 1953-54 to 74 in 1971-72 i.e. an increase of only 18 new stations during the period of 18 years. The Committee are concerned over this slow rate of growth in the number of new stations of Indian Airlines. Considering the inadequacy of road, rail and other quick means of transport in India it is necessary that the Indian Airlines should consider opening of more stations so that it can serve the nation better and sustain its traffic growth. The Committee, suggest that the Indian Airlines should undertake the necessary techno-economic feasibility studies of such areas which have not yet been covered by air services. The Committee would also like that at least by the end of the Fifth Five Year Plan all the State capitals and other important tourist centres are connected by Air.

B. Rate of Growth

3.14. The table below indicate the growth of passenger, mail and cargo traffic for the last 7 years:—

Year	Passenger	carried	Mail	Carried	Cargo	(including excess baggage carried)
	Nos.	Growth in terms of percentage	Tonnes	Growth in terms of percentage	Tonnes	Growth in terms of percentage.
1965-66	12,05,110	(—) 2.4	9,526	7.4	15,071	(—)38.6
1966-67	14,09,503	17.0	9,100	(—) 4.5	19,454	29.1
1967-68	16,57,671	17.6	9,931	9.1	21,289	9.4
1968-69	19,59,417	18.2	10,206	2.8	23,102	8.5
1969-70	22,48,177	14.7	10,724	5.1	25,079	8.6
1970-71	21,60,760	(—) 3.9	10,057	(—) 6.2	21,664	(—)13.6
1971-72	23,82,465	10.3	11,784	17.2	20,665	(—) 4.6

3.15. It will be seen from the above that there has been continuous increase in passengers carried except in 1970-71. The passenger load factor during these years was as follows:—

Year	Passenger Load Factor
1965-66	68
1966-67	71.1
1967-68	66.3
1968-69	71.4
1969-70	73.9
1970-71	75.5
1971-72	65.2

Thus the passenger load factor also increased from 68 in 1965-66 to 71.1 in 1966-67. However, in 1967-68 in spite of the growth of 17.6 per cent in passenger traffic, the passenger load factor declined to 66.3 per cent. This was due to the fact that capacity provided during that year increased by 24.7 per cent as against growth of passenger traffic by 17.6 per cent only. The load factor again came down to 65.2 per cent in 1971-72 as against 75.5 per cent in 1970-71 mainly on account of higher utilisation of 7 Boeing-737 during the year.

3.16. The cargo traffic showed improvement from 1966-67 to 1969-70 but it declined in 1970-71 and 1971-72. The Management informed Audit in November, 1970 that, owing to space limitation, its fleet carried only a small load of cargo. It had further been stated that with the sales promotion efforts to increase cargo traffic and with the introduction of Boeing-737, significant improvement in the cargo traffic was anticipated.

3.17. In this connection the Ministry informed Audit in October, 1971 as follows:—

- (a) The anticipated growth of cargo traffic with the advent of Boeing-737 aircraft did not materialise on account of after effects of the industrial disputes which were experienced during the year 1970-71.
- (b) The security requirements laid down by Government consequent on the hijacking incident of an aircraft further vitiated the growth of cargo traffic.
- (c) With increased capacity expected in winter, being brought about by higher utilisation of jet equipment, they expected to be able to carry considerably more freight than in the previous year.

3.18. The following statement also shows the growth of traffic as compared to the estimates in the first three years of the 4th Plan.

ATKms (in million)	1969-70	1970-71	1971-72
4th Plan estimated	237·000	268·852	308·503
Achieved	223·481	208·152	261·547
Variation	13·519	60·700	46·956
Percentage of variation	5·7	21	121
<i>No. of passenger</i>			
4th Plan estimated	21,01,486	23,91,228	27,73,713
Achieved	22,48,177	21,60,760	23,82,465
Variation	1,46,711	2,30,468	3,91,248
Percentage of variation	11·7	9·6	14·1
<i>Total operating revenue (in lakhs) Rs.</i>			
4th Plan estimated	4337·54	4898·33	5594·27
Achieved	4593·86	4449·43	5591·52
Variation	236·32	448·90	2·75
Percentage of variation	5·9	9·1	0·01
<i>Gross Foreign exchange earning (in lakhs) Rs.</i>			
4th Plan estimated	850	925	1075
Achieved	850	814	890
Variation	Nil	111	185
Percentage of variation	Nil	12	17·2

3.19. It will be seen from the above that the actual growth of traffic in 1970-71 and 1971-72 has been lower than the estimated growth. The performance in 1970-71 in terms of ATKms, passengers carried, revenue and foreign exchange earned, has also been lower than in 1969-70.

3.20. As regards the reasons for the drop in traffic in 1970-71, the Committee were informed that this was the result of a series of industrial disputes during 1970-71 that ultimately ended with a lock-out. Consequently, the performance in terms of passengers, freight (including excess baggage) and mail was depressed. A more appropriate impact of industrial disputes on the performance of 1970-71 could be had from the fact that the actual production of 208.152 million ATKms represented a drop of 21 per cent (approximately) compared to the budgetted production of 268.85 million ATKms.

A direct consequence of the industrial unrest, that came about when the I.C.P.A. objected to the performance of H.S.-748, was a reduction in the permissible all-up weight of the aircraft. A reduction in the payloads also contributed to the reduction in the total capacity provided that year.

3.21. In addition, Indian Airlines lost two F-27s (Fokker Friendships) in crashes (one near Agartala in June, 1970 and another near Silchar in August, 1970), and a third Friendship at Lahore after being skyjacked in January, 1971 and blown up in February, 1971. Furthermore, Indian Airlines had to suspend services from 3rd February, 1971 to Kabul, and circumbent the then East Pakistan on the flights to Assam. The loss of aircraft and routes and circuitous flying had an adverse impact on the capacity provided during the year.

3.22. As regards cargo traffic it was stated that the following were some of the constraints in the development of cargo traffic since 1970-71:—

- (i) Industrial disputes caused flight disruptions and irregular services. The cargo market that was already developed was consequently lost as cargo movement demands very regular services with assured freight capacity.
- (ii) Stoppage of services to Kabul from 3rd February, 1971.
- (iii) Anti-hijacking security measures which required freight to be detained on the ground for a minimum period of 24 hours, defeating the advantage of speed in air-freighting.
- (iv) Circuitous flying around the then East Pakistan which caused a loss of payload. This also required higher utilisation of aircraft over longer mileage for uplifting of same payload, so that aircraft availability on other sectors was reduced.
- (v) The restriction in the all-up weight of HS-748 from 44,000 lbs. to 40,000 lbs. meant an effective reduction in payload and was instrumental in drop in freight carriage on HS-748 routes. These restrictions were withdrawn in June, 1972.

3.23. The Committee were however informed during evidence that there had been some improvement in the Cargo traffic recently. The Corporation had introduced 707 aircraft on some of the routes on charter basis which carried more cargo. They were also now able to overfly Bangla Desh. The security conditions requiring a cooling-off period of 24 hours had also been relaxed. In the first three months of 1972-73, the cargo carried was 5159 tonnes as against 4088 tonnes in the corresponding period of 1971-72.

3.24. The Committee enquired whether the Corporation could start container service in the aircraft. It was stated that, for the type of aircraft that they had, containers were not really suitable. They were, however, examining in consultation with the manufacturers and the D.G.C.A., whether they could have cargo loaded on unutilised seats, as there were certain restrictions by the D.G.C.A. in this regard.

3.25. The Committee were also informed that the highest competitor of India Airlines for Cargo traffic were the surface transport companies and even the Railways found their freight rates totally incomparable with theirs.

3.26. Asked whether the Corporation had made any study about the freight rates, witness stated that they allowed certain concessions on bulk cargo and on some routes. They were in touch with the market and through a process of bargaining arrived at a rate which was acceptable to the market.

3.27. The Committee pointed out that the Annual Report of the Corporation for 1970-71 mentioned that specific commodity rates were offered to promote air-freighting of certain commodities that could not bear the basic airfreight charges. Further directional bulk rates were offered on sectors where spare capacity was available. Asked whether this had led to increased freight earnings, the Committee were informed that the response to the specific/bulk commodity rate was suffered on account of security precautions which required a cooling off period of 24 hours before cargo could be despatched. Additionally, due to extraneous factors during both pre and post-war periods, the market uncertainty vitiated the growth of cargo traffic. Despite the above constraints the efforts of the Corporation yielded some results between certain city pairs and more particularly in the South. For example between Madras and Delhi between the months of April and June, 1972, they carried as much as 7,800 kgs. betel leaves which was not offered in the past. Similarly, between Madras and Bombay for the same period approximately 17,200 kgs. of flowers were uplifted and between Bombay and Goa during April to June, 1972 approximately 7,100 kgs. of ice-cream was uplifted. Recognising the marked reticence of Shippers to take to air cargo which is presumed to be a sophisticated mode of despatch and is considered highly expensive, the Corporation's strategy was to offer bulk/commodity rates provided there was some reasonable scope of generating cargo. Therefore, they usually accepted recommendations for concessional rates provided there was reasonable scope for movement of such cargo by air. This decision was also regulated by the capacity

likely to be available after making allowance for carriage of passengers' baggage, dead load including mails, etc.

3.28. The Committee were also informed that the growth of traffic both for passengers and cargo has actually been constrained by lack of capacity. Availability of more and modern aircraft would have helped traffic to grow faster and to a higher level. Indian Airlines growth during the last 19 years had been very slow compared with the growth of other airlines. Between 1960—1969 the IATA carriers expanded their capacity at an average rate of 17 per cent per year, Air India expanded at 14 per cent while Indian Airlines expanded at $7\frac{1}{2}$ per cent.

3.29. The slow growth of the Corporation was stated to be due to the fact that foreign exchange was required for other urgent development projects and could not be spared in sufficient amounts for buying the aircraft required to expand and modernise Indian Airlines fleet. The demand for air transport on the other hand went on increasing very fast and thus there came to be a considerable shortage of air transport capacity in India. The recent expansion in the capacity with the acquisition of seven Boeing-737 and the additional seven HS-748 expected shortly from H.A.L. would help in remedying the situation.

3.30. The Committee also enquired whether any decision had been taken regarding the requirements of additional aircraft during the Fifth Five Year Plan and the type of the aircraft to be purchased to meet the growth in demand. They were informed that in the Fifth Five Year Plan proposals of Indian Airlines estimates of traffic had been made upto 1978-79 under three different alternatives for the purpose of assessing the investment, requirements etc. of the Corporation. A copy of the statements is at Appendices IV & V. The estimated growth of traffic during 1972-73 to 1974-75 has been estimated between 13 and 19 per cent. However, at this stage it was not possible to indicate the composition of fleet required to meet the growth in demand and the replacement of obsolete aircraft. Hence, a unit of capacity of 19.5 million ATKms per year, designated as a typical aircraft had been used, assuming that such a typical aircraft had similar characteristics of the Boeing-737 in respect of performance and cost of operation. On the basis of traffic estimates enclosed alternative No. 2 had been considered as the most realistic estimate and it had been estimated that the Corporation will have to acquire 29.2 additional 'typical' aircraft during the Fifth Five Year Plan period to meet the

demand of traffic growth. Additional 6.2 more aircraft would be required to replace the Caravelle and F-27 Fokker Friendship aircraft. The exact number would depend upon the actual type of aircraft mix selected. The various types of aircraft in the market were under study for their performance and economics on Indian Airlines network. The final choice of the fleet mix would depend upon fleet selection criteria based upon economics of operation, return on investment and present value of cash flow. The Corporation hoped to finalise it by October, 1972.

3.31. The Committee also enquired during evidence of the representatives of the Ministry of Tourism and Civil Aviation, whether any final decision had been taken regarding the type of aircraft to be purchased. The Secretary of the Ministry stated that the Indian Airlines started a study of their fleet requirements right upto 1980 in August, 1971. These studies were extremely difficult and complicated in the sense that studies had to be made not only about the type of plane required but also the traffic projections, cargo projections, rate pattern, aircraft facilities required, etc. The Indian Airlines had completed some studies, but they had not yet decided as to which type of aircraft would suit their requirements. When the Corporation finally comes to some conclusions, it would approach Government for permission and sanction to buy new aircrafts. It would not take very long for Government to accord permission.

3.32. The Committee regret to note the slow rate of growth of Indian Airlines in the last decade. Between 1960 and 1969 while the IATA carriers expanded their capacity at an average rate of 17 per cent per year and Air India by 14 per cent, the rate of growth of Indian Airlines had been only 7-1/2 per cent. According to the Corporation, the resources, specially the foreign exchange, could not be spared in sufficient amount to buy the aircraft required to expand and modernise the Indian Airlines fleet. The under provisioning of capacity between 1960 and 1969 had been made up to some extent by the acquisition of seven Boeing-737 in 1970-71 but the Corporation had hardly been able to cope with the increasing traffic demands.

3.33. According to estimates worked out by the Corporation, they require 29 additional typical aircraft (with a capacity of 19.5 million ATKms per year) during the Fifth Five Year Plan period (1974-75 to 1978-79) to meet the estimated demand of passenger and cargo traffic. In addition, they will require six aircraft for replacement of caravelle and Fokker Friendship aircraft. According to year-wise estimate, the Corporation will require six to eight additional aircraft each year right from 1974-75 itself. The Committee, however, regret to note

that no decision has yet been taken about the type of aircraft to be purchased for augmentation of the fleet.

With the experience of detailed exercise made as early as in December, 1969 about the criteria and parameters for selection of aircraft and about the economics of various aircraft at the time of the purchase of Boeing 737, it should have been possible for the Corporation to complete the exercise about the selection of aircraft well in time and to submit detailed and definite proposals to Govt. to facilitate timely decisions regarding the type of aircraft to be purchased and for making available the required resources including foreign exchange. The Committee would urge that the decision in this regard should be taken soon to ensure that the new aircraft become available as per the demands of traffic and the requirements of Indian Airlines. In this connection the Committee would also invite attention to their observations in paragraph 2.60.

3.34. The Committee also desire that the Corporation/Ministry should consult the HAL and the Research and Development wing of the Ministry of Defence and explore the possibility of manufacture of suitable aircraft for use by Indian Airlines on its net work instead of going for imported aircraft involving valuable foreign exchange.

3.35. The Committee are also concerned over the declining trend in Cargo traffic which had come down from 25,079 tonnes in 1969-70 to 20,665 tonnes in 1971-72—the lowest during the last five years. The Committee feel that there is potential market for cargo and earnest efforts should be made to exploit it. The Committee would suggest that study should be made of the measures adopted by domestic airlines elsewhere to attract goods and for ensuring their time bound delivery.

C. Aircraft Utilisation

3.36. The following table indicates the aircraft-wise utilisation for the last six years as compared with the optimum intimated by the Management:—

(Figures in hours)

Year	Dakota		Skymaster		Viscount		Fokker Friendship		Caravelle		HS-748		Boeing 737		All types average
	Optimum as per Management (April 1970)	Actual as per Management (April 1970)	Optimum as per Management (April 1970)	Actual as per Management (April 1970)	Optimum as per Management (April 1970)	Actual as per Management (April 1970)	Optimum as per Management (April 1970)	Actual as per Management (April 1970)	Optimum as per Management (April 1970)	Actual as per Management (April 1970)	Optimum as per Management (April 1970)	Actual as per Management (April 1970)	Optimum as per Management (April 1970)	Actual as per Management (April 1970)	
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1966-67	1500	1409	Not fixed	972	2200	2122	2500	2102	3000	2751	..	..	..	..	1759
1967-68	1500	1582	..	1122	2200	2141	2500	2248	3000	2831	2500	1567	..	..	1819
1968-69	1500	1222	..	677	2200	2198	2500	2313	3000	3063	2500	2169	..	..	2017
1969-70	1500	1073	..	164 (sold during the year)	2200	2169	2500	2434	3000	3089	2500	2496	..	..	2174
1970-71	1500	953	..	..	2500	1840	2500	2092	3000	2802	2500	2211	..	..	1790
1971-72	1500	1164	..	..	2500	1760	2500	2091	3000	2402	2500	2027	3000	3000	2343

NOTE:— The annual utilisation per aircraft is the ratio of the total annual flying hours to the effective fleet strength for particular type of aircraft. The effective fleet strength represents the weighted average number of aircraft or the year. The lower utilisation of Dakota and Skymaster as compared with the optimum had been ascribed by the Management to aircraft operation being uneconomical.

3.37. During evidence of the representatives of Indian Airlines, the Committee enquired the reasons for the actual utilisation of various aircraft in 1970-71 and 1971-72 being much lower than the optimum fixed by the Management in April, 1970. They were informed that in these years utilisation suffered greatly owing to various factors e.g.

- (i) industrial unrest resulting in strikes, go slow tactics and finally lock out in March, 1971.
- (ii) Loss of two F.27 aircraft in accidents at Silchar and Agartala.
- (iii) Hijacking to Lahore of one aircraft and its subsequent destruction.
- (iv) Suspension of service to Kabul.
- (v) Pre-routing of services in the eastern sector to avoid East Pakistan territory.
- (vi) Set back in the delivery of HS-748 aircraft.
- (vii) War with Pakistan in December, 1971.
- (viii) Drop in tourist traffic because of unsettled conditions.
- (ix) Release of two F.27 aircraft to Bangla Desh.
- (x) Non-availability of two HS 748 aircraft due to prolonged grounding for testing by the Committee which examined the performance of HS-748 aircraft.

3.38. The Committee were also informed that when the crew was being trained for Boeing 737, the crew available for Caravelle became short and to that extent there was lower utilisation of the Caravelle aircraft.

3.39. Subsequently, in a written reply the Committee were informed that the detailed reasons for low utilisation of each aircraft were as follows:—

Boeing

Indian Airlines had to train a number of Pilots for induction of Boeing aircraft. To achieve this quickly it was decided to earmark one Boeing and one Caravelle exclusively for crew training.

F.27

The low utilisation of F.27 aircraft in 1971 was due to the reduction in the fleet of this type of aircraft and restriction imposed in

respect of take-off and landing timings in Eastern Region, where F-27 were being used.

HS-748

Two HS-748 aircraft were kept at the disposal of the Technical Committee for a considerable period, which affected the normal operations.

The low flying hours of this type of aircraft when compared with the targets laid down, is due to the pilots' reluctance to operate this aircraft due to the dispute regarding performance of the aircraft.

Caravelle

The experienced Caravelle Pilots were inducted for the operation of Boeing 737. - This resulted in shortage of Commanders so far as Caravelle were concerned and an extensive training programme had to be followed involving earmarking of one Caravelle aircraft exclusively for crew training. This also affected the utilisation of Caravelle aircraft.

3.40. The Committee enquired whether the Corporation had a phased programme of training so that adequate number of trained pilots were available. They were informed that the Corporation had phased programme of training for all types of aircraft, based on the operational requirements. Each year at the time of preparation of the budget a forecast of Training Programme, based on the budgetted revenue hours, is furnished which is incorporated in the Budget for the purpose of cost estimates.

3.41. The budgetted training programme for Boeing-737 and Caravelle conversions *vis-a-vis* the actual number of Pilots converted to these aircraft during the financial years 1970-71 and 1971-72 was as follows:

Type of AC	Year	Budgetted		Actual	
		Command	Endorsement	Command	Endorsement
1	2	3	4	5	6
Boeing—737	70-71	32	..	26	6
<i>Note</i> : It was planned to train 32 Pilots for command a road at Seattle, but only 26 qualified for Command and the remaining 6 had to be given further training in India for obtaining Type Endorsement only.					
Caravelle :	70-71	25	35	16	30
<i>Note</i> : The shortfall in training is due to various causes like non-availability of aircraft and instructions and disruption in training due to strikes, lock out etc.					

1	2	3	4	5	6
Boeing—737	71-72	30	12	23	15

Note : Those who could not make the grade for Command were put up for Type Endorsement. The shortage in training between budgetted and actual was negligible and would be made up during the current financial year.

Caravelle	71-72	40	40	38	36
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Note : The shortfall was negligible and would be made up during the current financial year.

3.42. In this connection the Committee would draw attention to the following observations in the Report of the Study Committee on Indian Airlines (Sen Committee):—

“One of the major reasons for under-utilisation of aircraft is the shortage of manpower with certain critical skills. Let us take the pilots, for example, with the advent of the Boeing 737, senior Caravelle pilots were withdrawn from Caravelle and trained for the Boeing. Some senior turbo-prop aircraft (Avro, Viscount and Friendship) pilots were trained for Caravelle, but not enough. The Corporation has been lately experiencing a shortage of flying crew in the two jets as well as the turbo-prop aircraft. The utilisation has dropped on all three. At one point Caravelle utilisation declined from 3200 hours per annum to 2100 hours. The Boeing utilisation is just over 2000 hours.

True, there were many variables difficult to control. First, there was uncertainty about the type of new aircraft to be acquired. This was a Government decision, into which many considerations went. It took two years and some controversy before the choice fell on Boeing 737. Nevertheless, it could be argued that while management did not know the specific aircraft to be acquired, it did know that capacity was to be augmented by a modern jet aircraft. This should have led to the training of reserve pilots on existing aircraft from which the seniors would eventually be taken for training on the new aircraft. A temporary shortage of crew on Boeing because of the arrival of seven aircraft in rapid succession would have been understandable. Crew shortage on Caravelle and turbo-props could have been avoided by proper planning.”

3.43. The Committee view with concern the low utilisation of various aircraft. The average utilisation of all types of aircraft had come down from 2174 hours in 1969-70 to 1981 hours in 1971-72. The utilisation of various aircraft is also lower than the optimum fixed by the Management itself in April, 1970. Thus, in the case of Fokker Friendship and HS-748 aircraft, as against the optimum of 2500 hours the actual utilisation in 1971-72 was only 2091 hours and 2027 hours

respectively. Similarly in the case of Caravelle and Boeing 737 aircraft the actual utilisation was only 2402 and 2343 hours respectively as against the optimum of 3000 hours fixed by the Management. It is regrettable that while the Indian Airlines is short of modern aircraft, even those available are not being put to optimum use.

3.44. The Committee find that one of the reasons for low utilisation of aircraft especially Caravelle and Boeing 737 was shortage of adequately trained pilots. The Committee feel that the Corporation would not have been facing such a situation had there been forward planning on the part of the management to train sufficient number of pilots. The Committee recommend that the training programme should be so planned, budgetted and implemented that the Corporation may have adequate pilots for flying the existing and projected types of aircraft to avoid under utilisation of the aircraft.

3.45. The Committee need hardly stress that the aircraft used by Indian Airlines are most costly assets with limited effective life. In view of the fact that the Corporation was also having high load factor, it is essential to achieve maximum utilisation of these aircraft. The Committee therefore, recommend that effective steps should be taken for stepping up utilisation and to ensure optimum utilisation of the aircraft to improve the operating results of the Corporation.

D. Comparative operating results of the different types of Aircraft

3.46. The aircraft wise operating results for the years 1967-68 to 1970-71 were as follows:—

S.No.	Type of Aircraft	Profit (+) Loss (—)			
		1967-68	1968-69	1969-70	1970-71
		(Rs. in lakhs)			
1.	Dakota	(—)275·32	(—)199·49	(—)174·39	(—)150·65
2.	Skymaster	(—) 26·18	(—) 17·36	(—) 2·57	—
3.	Viscount	(—)125·12	(—)146·58	(—)261·01	(—)326·17
4.	Fokker Friendship . .	(—)139·3	(—)153·07	(—)268·87	(—)361·85
5.	Caravelle	(+)263·08	(+)515·27	(+)566·56	(+)268·69
6.	HS 748	(—) 26·45	(—) 60·72	(—) 147·42	(—)323·47
7.	Boeing 737				(—) 54·3

3.47. The aircraft-wise operating cost and operating Profit-loss per flying hour, revenue hours flown/during 1967-68 to 1970-71 are given in Appendix VI. The break even and actual load factors for the years 1967-68 to 1971-72 in respect of each aircraft are also given in Appendix VII.

3.48. The salient features emerging from these data are indicated below:—

- (1) There were operational losses on all aircraft except Caravelle. There was also loss in 1970-71 on Boeing 737 aircraft which was pressed into service in the year and had flown only 1237 revenue hours.
- (2) The operating loss per flying hour in the case of Dakota was the highest except in the case of HS 748 for 1967-68 and for Boeing 737 in 1970. The higher operating loss in respect of these aircraft in those years was due to the fact that aircraft were initially pressed into service during the year and the number of revenue hour flown was nominal.
- (3) The break even load factor in the case of Dakota ranged from 157.94 per cent to 256.03 per cent during 1967-68 to 1970-71. This indicates that Dakota operations would entail operational losses even on attaining 100 per cent load factor.
- (4) Notwithstanding the fact that there was higher operational cost per flying hour of Dakota and Skymaster (withdrawn from service in 1969-70) mainly due to higher fuel cost and maintenance cost, the aircraft had to be operated, though on a gradually declining scale, to meet the shortage in capacity. The incidence of loss on the operation of these two types of aircraft over and above the operational cost of Viscounts on the basis of revenue hours flown worked out to Rs. 347.04 lakhs for 1967-68 to 1970-71 as per details given below:—

Revenue hours flown				Revenue loss differential per flying hour as compared with Viscounts(Rs.)				Total loss				
1967-68	1968-69	1969-70	1970-71	1967-68	1968-69	1969-70	1970-71	1967-68	1968-69	1969-70	*	
Dakota	30136	17128	11867	8036	370.69	617.76	580.36	460.82	111.71	105.80	68.87	..
Sky-Master	2509	1146	..	..	499.56	668.10	..	..	7.53	11.10	..	..
						Dakota			1970	71	37.03	

- (5) There was generally increasing trend of break even load factor in respect of all types of aircraft. In the case of Viscount, Fokker Friendship and HS-748 there was widening gap between the break even load factor and actual load factor. The break even load factor in respect of these aircraft was about 100 per cent which means that the aircraft would entail losses even if operated upto maximum capacity.

3.49. In this connection, the Ministry informed Audit in October, 1971 as follows:—

- “(a) The incidence of operating cost has been going up due to the following factors:—
- (i) Increase in insurance, housing and parking charges;
 - (ii) increase in engineering cost due to increase in the cost of spares, freight, customs duty, etc.;
 - (iii) increase in labour cost due to increase in wages; and
 - (iv) increase in the cost of fuel and oil.
- (b) Skymasters have been disposed of, Dakotas have been grounded except 8 and Viscounts are planned to be phased out on receipt of the next batch of HS-748 aircraft.
- (c) The losses are generally on the regional routes on account of the nature of operations which are short-hauls ones, load factor usually lower than the break-even ones and in the Eastern sector due to very low fares. The regional routes have to be operated even at a loss due to many factors like the need for feeder services, geographical and political requirements and tourist and regional development.”

3.50. The Committee enquired the reasons for operational losses on different types of aircraft. The Indian Airlines informed that the general pattern of operating results in Indian Airlines from its inception had been that while they incurred losses on the total regional net work, they made profit on the trunk routes and some profit on certain regional routes. This pattern of operating results was likely to continue in the future also.

3.51. The Committee were informed that the routes on which the Corporation has suffering loss were overwhelmingly short haul routes which were more expensive to operate than long haul routes. The losses on these routes were also due primarily to the prevailing

low level of domestic airfares in India. These losses would be eliminated or considerably reduced if the fare structure was rationalised. In future, the Corporation proposed to prepare routes costs on aircraft type wise basis after taking into account the economics of short sector operations to reflect the real level of profit and losses.

3.52. As regards the programme for phasing out of uneconomic aircraft, the Committee were informed that the phase-out programme in respect of Dakota and Viscount was continuing as planned and by December, 1973, it was expected that the Viscount fleet would be totally phased out. These aircraft were being phased out under a trade-in-agreement with the Boeing Company. The DC-3 were being progressively grounded and would be phased out by the end of 1972 subject to delivery by HAL in time of the HS-48 aircraft now on order. A decision on F-27 aircraft would be taken in conjunction with the studies that were under way on fleet planning in the Fifth Five Year Plan period. HS-748 aircraft were, however, expected to remain operational during the period of the Fifth Five Year Plan.

3.53. Asked about the reasons for continuing the operation of the HS-748 in spite of its high break-even load factor, the Secretary of the Ministry of Tourism and Civil Aviation stated as follows:—

“In so far as HS-748 is concerned, I see no escape from using that plane for the overall reason that it is manufactured in our own country and regardless of the fact that it may be little more expensive, it may be a far reaching consideration that we might build up expertise. Otherwise it would be very difficult for us to really make any progress.”

3.54. The Committee view with concern that there were operational losses on the majority of the aircraft in the fleet of the Corporation. The Corporation was suffering heavy losses on the operation of old and uneconomic Dakotas and Viscount aircraft, but still these were being operated by the Corporation mainly because of shortage of aircraft. There was also generally increasing trend of break-even load factor on various aircraft and in respect of F-27 and HS-748 aircraft, the break-even load factor was about 100 per cent which means that the aircraft would entail operational losses even if operated upto maximum capacity unless steps are taken to reduce operating expenses.

3.55. The Committee were also informed that the routes on which the Corporation was suffering losses were overwhelmingly short haul routes which were more expensive to operate than long haul routes. The Committee feel that the Corporation should prepare route costs aircraft typewise so that the economics of short sector and long haul operations by different types of aircraft may be available for critical study to enable the Corporation to deploy the right type of aircraft on various routes.

3.56. The Committee desire that the Corporation should develop a sense of cost consciousness and make a critical analysis of the cost of operations with a view to improving the economics of the airline through effective control on major items of expenditure, optimum utilisation of aircraft, increased productivity, standardisation and modernisation of the fleet and rationalisation of route pattern, etc. to ensure that the Corporation remains a viable economic entity rather than becoming a burden on the national exchequer.

3.57. The Committee would also suggest that the Corporation should make a comparative study of the performance of leading domestic airlines in other countries and take concrete measures with a view to improving the economics of operations.

E. Route-wise analysis

3.58. The services operated by the Corporation can be broadly classified under the following three groups:

1. Scheduled Services (including freighter, international, night Air Mail and seasonal).
2. Non-scheduled services.
3. Charters.

3.59. The service-wise operating results for the last five years are given below:—

Year	(Rs. in lakhs) (—) Represents loss		
	Scheduled Services.	Non-Scheduled Services.	Charters.
1966-67	(—)525·82	(—) 22·66	(—) 1·88
1967-68	(—)249·23	(—) 29·73	(—) 1·37
1968-69	(—) 35·21	(—) 25·46	(—)0·80
1969-70	(—)240·29	(—) 42·74	(—) 4·67
1970-71	(—)899·18	(—) 43·77	(—) 4·83

3.60. As regards Scheduled Services, the operating results separately of the passenger, mail and freighter services were as follows:—

	Surplus (+) Deficit (—)				
	(Rs. in lakhs)				
	1966-67	1967-68	1968-69	1969-70	1970-71
<hr/>					
1. Passenger Services :					
(a) Trunk routes	74.43	(+)279.67	(+)446.92	(+)475.74	(+)202.28
(b) Regional including Inter-Regional routes	(—)539.39	(—)476.90	(—)43.13	(—)673.30	(—)958.93
(c) International routes	(—) 17.05	(+) 17.81	(+) 18.18	(+)10.90	(—)50.37
2. Night Air Mail.	(—) 60.87	(—) 69.74	(—) 66.13	(—) 53.54	(—) 92.07
3. Freighter	(—) 2.94	(—) 0.07	(—) 0.05	(—) 0.09	(—) 0.09
<hr/>					
TOTAL	(—)525.82	(—)249.23	(—)35.21	(—)240.29	(—)899.18

NOTE :— The above figures do not take into account receipt by way of subsidy, incidental revenue, revenue earned on overflow of passengers, interest earned, net surplus on assets sold and profit on devaluation, etc.

3.61. A detailed analysis of the working of the scheduled services indicating the number of routes where the Corporation earned profits and the routes where it was not able to cover the direct operating cost|total operating cost, etc. revealed the following facts—

	Total No. of routes	No. of routes where revenue is more than operating cost	Profit with total operating cost (Rs. in lakhs)	No. of routes where direct operating cost but falls short of total operating cost	Deficit with reference to total operating cost (Rs. in lakhs)	No. of routes where revenue falls short of direct operating cost	Deficit with reference to total operating cost (Rs. in lakhs)
	1	2	3	4	5	6	7
1966-67							
Regular Routes,	42	7	(+)104.47	21	(-)170.57	14	(-)258.55
Additional/Seasonal Routes	19	4	(+) 12.73	7	(-) 24.58	8	(-) 39.03
Subsidised/Subvention Routes	10	..	..	..	..	10	(-)150.29
TOTAL	71	11	(+)117.20	28	(-)195.15	321	(-)447.87
1967-68							
Regular Routes	52	19	(+)348.62	20	(-)151.73	13	(-)254.56
Additional/Seasonal Routes	15	3	(+) 5.46	2	(-)2.52	10	(-) 57.82
Subsidised/Subvention Routes	11	..	..	1	(-) 16.81	10	(-)119.87
TOTAL	78	22	(+)354.08	23	(-)171.06	33	(-)432.25

	1	2	3	4	5	6	7
1968-69							
Regular Routes	58	23	(+)541.83	22	(-)119.68	13	(-)164.24
Additional/Seasonal Routes	23	..	..	14	(-)53.77	9	(-)128.48
Subsidised/Subvention Routes	11	..	..	2	(-)30.08	9	(-)80.79
TOTAL	92	23	(+)541.83	38	(-)203.53	31	(-)373.51
1969-70							
Regular Routes	66	21	(+)575.72	29	(-)244.95	16	(-)303.66
Additional/Seasonal Routes	15	..	..	8	(-)26.20	7	(-)21.57
Subsidised/Subvention Routes	14	..	..	2	(-)22.73	12	(-)196.90
TOTAL	95	21	(+)575.72	39	(-)293.88	35	(-)522.13
1970-71							
Regular Routes	73	12	(+)258.07	35	(-)283.30	26	(-)477.00
Additional/Seasonal Routes	16	3	(+)12.05	4	(-)30.83	9	(-)96.99
Subsidised/Subvention Routes	14	..	..	..	..	14	(-)281.18
TOTAL	103	15	(+)270.12	39	(-)314.13	49	(-)855.17

NOTES : 1. **Regular Routes** Include all services run throughout the year except subsidised and subvention routes.

2. **Additional/ Seasonal Routes** Include services which ran for part of the year being seasonal, additional or new one except subsidise or subvention routes.

3. **Subsidised/ Subvention Routes** Include operating results of the services as a whole on which subsidy or subvention was claimed by Indian Airlines for the full or split sector. The subsidy/subvention as accounted for during 1966-67 to 1969-70 was as follows :

1966-67	.	.	.	.	.	.	.	Rs. 78.56 lakhs
1967-68	.	.	.	.	.	.	.	Rs. 101.17 lakhs
1968-69	.	.	.	.	.	.	.	Rs. 94.39 lakhs
1969-70	.	.	.	.	.	.	.	Rs. 81.82

3.62. It will be seen from the tables that:

- (i) There has been progressive increase during 1968-69 to 1970-71 in the number of routes where the Corporation has not been able to meet the total operating cost.
- (ii) The number of routes in which revenue fell short of direct operating cost increased from 31 in 1968-69 to 35 in 1969-70 and to 49 in 1970-71. The amount of deficit also increased from 374 lakhs in 1968-69 to 855 lakhs in 1970-71.

These 49 routes in 1970-71 include 14 routes operated under subsidy/subvention. Out of the remaining 35 routes the 11 routes (Appendix II) did not meet the direct operating cost continuously for the last 4 to 5 years.

3.63. The Management informed Audit in November, 1970, that the following were the general reasons for the continuance of un-economic services:—

1. "The Corporation being a public enterprise with a monopoly or near monopoly in its field, has certain social responsibilities. The basic charter of the Corporation makes it impossible for us to contemplate shutting down all un-profitable routes and concentrating only on the few routes where we earn profits.
2. Feeder services have to be run in order to ensure flow of passengers on the trunk routes to assist Regional Development.
3. To develop air-transportation in the country, new services have to be introduced even where it is obvious that, some time, the load factor will be low and might not cover even the direct operating cost.
4. In the eastern sectors, the fares are comparatively low but the services have to be run for economic and geographical reasons.
5. Certain services are run on consideration of national policy like services to neighbouring countries.
6. Certain services are run to places of tourist interests. The services may not be profitable but the overall spending

by tourists helps the National Economy and foreign exchange position. Also aids regional development and employment.

7. The cost of operations of services with short hauls is considerably higher than the cost of operation of services with longer hauls. Thus, certain routes are bound to be uneconomic especially in view of heavy taxation and other costs and will remain so until traffic builds up at an almost unrealistic figure of some 90 per cent load factor."

3.64. The Committee enquired the reasons for the losses incurred by the Corporation continuously from 1966-67 to 1970-71, on the operation of scheduled and non-scheduled services as well as charters. They were informed that the total loss on scheduled plus non-scheduled services and charters was much more than the actual loss suffered by the Corporation. For instance though the route-wise analysis show a loss of little over Rs. 61 lakhs in 1968-69, in actual cost, there was profit of Rs. 166 lakhs in that year. Similarly in 1969-70, the Corporation made a handsome profit of Rs. 228 lakhs though route-wise analysis show considerable loss. This was so because three elements of income were not allocated to the services, viz., (a) incidental operating revenue; (b) non-operating revenue and (c) subsidy received from the Government for the operation of certain routes. While fixing the fare structure, the Government take the overall view of the profitability of the Corporation and the fare increases are not adequate to cover the total operating costs of scheduled and non-scheduled services. Thus, while in the route-wise analysis, a substantial loss may be observed, in actual fact, the Corporation may be making a profit.

3.65. The Committee were also informed that the Corporation had always suffered loss on the bulk of the regional and inter-regional routes. As regards loss on international routes in 1970-71 it was stated that loss on international routes largely arose out of the general disruptions in services in 1970-71 where because of lower utilisation, the overheads allocated to various services, went up, thereby implying an increase in the cost of operation of the services. The international flight to Kabul was discontinued during 1970-71 after the hijacking of Indian Airlines aircraft to Lahore in January, 1971.

3.66. Asked about the loss even on Charter services, it was stated that charter operations implied an increase in the operation of the Corporation over normal schedule operation. Thus the total standing costs should be borne by the regular services whereas charter operations should be judged only against the actual out-of-pocket

expenses. Charter rates were fixed on the basis of what the market would bear subject to the fact that the total out of pocket expenses were recovered. Anything recovered over and above the out of pocket expenses was a contribution towards the general overheads and by reducing their incidence would contribute to the general profitability of the Corporation. In the analysis, however, charter revenue had been compared against the total cost. Obviously, therefore, the result was a loss whereas in actual fact charters contributed in improving the profitability of the Corporation.

3.67. One of the reasons for the losses suffered by the Corporation has been stated to be that the Corporation being a public enterprise with a monopoly or near monopoly in its field has certain social responsibilities. The basic charter of the Corporation makes it impossible for the Corporation to contemplate shutting down all unprofitable routes and concentrating only on the few routes where they earn profit. The Committee enquired as to which were the services operated by the Corporation to discharge its social responsibilities. The Corporation informed that almost all the regional routes were being operated by the Corporation to discharge its social responsibilities by providing connections to the State Capitals to the Centre and also provide quicker means of transportation. It was particularly so in the Eastern Region where alternative means of transportation were very slow and cumbersome.

3.68. As regards the reasons advanced by the Corporation that in the eastern sector, the fares were comparatively low but the services had to be run for economic and geographical reasons, the Committee enquired the quantum of loss which the Corporation had to incur in the eastern sector because of fare differential. They were informed that it was difficult to estimate the loss in the eastern sector due to lower fare structure. However, on a rough estimate for 1971-72, an extra revenue of approximately Rs. 85 lakhs would have been earned if the fare structure in the Eastern Sector had been the same as was applicable to the rest of India.

3.69. The Committee were also informed that the expenses incurred in the operation of the uneconomical aircraft get merged in the total expenses and it was, therefore, difficult to quantify the extent of the loss arising out of the operation of an uneconomical aircraft.

3.70. During evidence the representative of the Corporation stated that many routes which were being operated before nationalisation had to be continued, whether they were losing or profitable ones, because extra-commercial considerations prevented them from

pulling out of these routes. If the Corporation was not allowed to discontinue uneconomic routes, Government should subsidize them. Similarly, there were certain cases where new stations were opened at the instance of Government even though these might not be justified purely on commercial considerations. But unless the Corporation suffered losses for more than 3 years at new stations Government did not give any subsidy. Unless Government agreed to subsidise the sectors where they were being asked to operate on extra Commercial considerations it would be very difficult for them to improve their profitability position.

3.71. The Committee also discussed this matter with the Secretary of the Ministry of Tourism and Civil Aviation during oral evidence. The Secretary of the Ministry stated that "In our view the operations of the Indian Airlines cannot be confined to only a few profitable routes. If that were so, they would like naturally to confine themselves to just a few routes, mostly the trunk routes, which make profit. But this is a public utility organisation and there are certain obligations that the Corporation has to fulfil and within the overall picture—for instance, if they are going to make profit on the overall—I do not think they would be justified in saying that on every route on which they lose, Government should subsidise. In that case, Government would merely become the insurer of profit.

3.72. On certain routes they make money and on certain routes they lose. But the fact remains that even taking into account the losing routes, they have often made profits. Even in this year, 1972-73 they have budgetted for a profit of Rs. 2.65 crores. Whether they will achieve this or not, I cannot say. They have themselves budgetted for a profit and that takes into account their uneconomic routes, subsidy they anticipate and subsidy, that they are getting from the Government. The position is that it is not as if every uneconomic route should be subsidised by the Government. Then, what would happen is that on uneconomic routes, they will get subsidy from the Government while they earn profit on traffic-oriented routes. Both ways, they would be making money."

3.73. When pointed out that according to Indian Airlines certain routes did not meet the costs, even after Government had subsidised them, the Secretary of the Ministry stated "some routes are being operated over since 1953, when they were nationalized. I can assure you, since I am the Chairman of the Civil Aviation Development Fund, that we go into all their requests very carefully, within the

permission given to us by the rules. We look at them in a considerate way and wherever they are entitled to a subsidy, we give it. Indian Airlines would naturally make this plea, because they would like to get more and more subsidy, so that their loss is less; but it is not always possible. The difficulty is that as an airline, they would like to show a better balance sheet and we would like that, too; but they must work for it also."

3.74. The Committee pointed out that in their Report on Indian Airlines, the Sen Committee had recommended as follows:—

"The Government should also decide the necessary social costs that have to be incurred and pay subsidy for these costs to the Corporation and allow the Corporation to state in its annual report that its viability (whatever minimum rate of return is determined) is affected because it is carrying on such social objectives."

Asked whether it was not possible to account for separately the routes on which the Corporation was losing because of inefficiency or other shortcomings and the routes which could not be operated at profit at all, the Secretary of the Ministry stated that the Corporation was getting subsidy and the latter type of routes would be largely covered by those. Further, there was nothing even now to prevent the Corporation from including a paragraph in its Report stating the routes which they were operating at the request of the Government, their performance and the amount of subsidy paid by Government.

3.75. In this connection, the Committee called for a statement indicating the routes which had been started by the Corporation at the instance of Government either to meet regional requirements or promotion of tourism during 1966-67 to 1970-71, the losses suffered on them and the amount of subsidy received from Government on the operation of these routes. From the information furnished by the Corporation (Appendix III) it is seen that the Government had generally been giving subsidy to cover the total operating cost on these routes.

3.76. The Committee regret to note that out of 103 routes operated by the Corporation in 1970-71 it was earning profit only on 15 routes taking into consideration the total operating cost. There has been large increase in the number of routes where the Corporation has not been able to meet the direct operating cost/total operating cost. The number of routes where the revenue fell short of total operating cost had gone up from 28 in 1966-67 to 39 in 1970-71. The amount of deficit

incurred on these routes during the corresponding period had also gone up from Rs. 195.15 lakhs to Rs. 314.13 lakhs. What surprised the Committee was that in 1970-71 the revenue on 49 routes fell short of even the direct operating cost (as against 32 in 1966-67) and the deficit with reference to total operating cost was as high as Rs. 855.17 lakhs as against Rs. 447.87 lakhs in 1966-67.

3.77. One of the reasons advanced for the losses on these routes is that the Corporation being a public enterprise has certain social responsibilities and therefore had to operate even uneconomic routes. The Committee however, find that on the routes which had been started by the Corporation at the instance of Government, either to meet regional requirements or for promotion of tourism, the Corporation had been getting subsidy to the extent of total operating cost on these routes. It is, therefore, evident that other routes operated by the Corporation are those developmental routes which the Corporation considered to be justified on commercial considerations and the Corporation should be able to run these routes in a self financing way after some time. The Committee desire that the reasons for incurring loss on a large number of routes should be analysed and remedial measures taken to improve their working by deploying suitable types of aircraft and by effecting economy in every field including overhead and administrative expenditure, purchase of spare parts etc.

3.78. The Committee suggest that before opening a new route the financial implications of operating it should be precisely worked out and decision taken at the highest level in this regard after taking into consideration all aspects.

3.79. The Committee also recommend that the Corporation should in consultation with the Ministry decide the routes/services which are not considered to be justified on commercial considerations or which cannot be considered as developmental routes but have to be operated by the Corporation in discharge of its social obligation. In respect of such routes, the Corporation should indicate in its Annual Reports, the extent of loss incurred on the operation of these routes, the various factors responsible for the continuing losses, the extent of loss suffered on account of each factor, the quantum of subsidy received and the remedial measures taken by the Corporation to reduce the losses with special reference to steps taken to reduce costs and to attract more traffic. This would enable the Public and the Parliament to judge the overall performance of the Indian Airlines in true perspective.

3.80. The Committee would also suggest that the Corporation should undertake a periodical performance review of the working of

the different routes especially those which prove to be uneconomical, with reference to the cost of their operations and the revenue earned with a view to taking timely remedial measures to reduce the losses on such routes.

F. Routes for which subsidy is claimed from State Governments

3.81. The table below indicates the services operated by the Corporation under shortfall guarantee agreement with the State Governments and the amount of subsidy received from 1965-66 to 1970-71:—

Name of State Govt.	Service	Subsidy Received (Rs. in lakhs)					
		1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Punjab & Himachal Pradesh	Delhi/Chandigarh/ Kulu	0.68	..	0.52	2.54	2.26	1.59
Andhra Pradesh	Hyderabad/ Vijayawada/ Vizag	2.96		Discontinued			
Mysore	Belgaum/Goa/ Mangalore/ Bangalore	17.33	12.34	Discontinued			
Orissa	Calcutta/ Bhuvaneshwar			See para below			
Maharashtra	Aurangabad/ Nagpur	8.22		Discontinued			

Non-Adherence of the terms of the agreement

3.82. On 12th July, 1963 the Corporation entered into an agreement with Orissa Government for operating at their request thrice weekly Calcutta—Bhuvaneshwar—Calcutta air service by Dakota aircraft. Under the agreement the State Government agreed to reimburse the Corporation the difference between the total operating cost and the revenue earned for the aforesaid service for a period of five years with effect from 1st October, 1962.

3.83. Upto August, 1964 the Corporation operated the service according to the terms of the agreement, but there after it extended the service to Visakhapatnam (from September, 1964), Vijayawada and Madras (from October, 1965) and Hyderabad (from January, 1966) and also changed the aircraft from Dakota to F-27 and the frequency of the service, without the prior concurrence of the State Government.

3.84. On 9th September, 1966 the State Government refused to pay the bills preferred by the Corporation for subsidy for the years 1964-65 and 1965-66 on the ground that they were not liable to subsidise the service after 1st October, 1964 as the agreement became inoperative due to new arrangements made by the Corporation without prior concurrence of the State Government. The request made by the Corporation was again rejected by the State Government on 26th March, 1968 on the same ground.

3.85. On 16th May, 1968, the Corporation approached the Government of India to intervene in the matter and arrange a settlement of its claim of Rs. 13,47,365.57 against the Orissa Government for the subsidy upto 1966-67 or alternatively consider reimbursement of the above amount from Civil Aviation Development Fund. On 5th September, 1968, the Government of India, after consultation with the State Government, informed that in accordance with the reasons already explained by the State Government, no subsidy was admissible to the Corporation. It was further stated that the payment of subsidy from the Civil Aviation Development Fund could have been obtained from the Fund provided the direct operating cost was not met during the last 3 years. The Calcutta-Bhuvaneshwar-Visakhapatnam scheduled service was finally brought under subvention scheme only from 1967-68.

3.86. Owing to the non-adherence to the terms of the agreement, the Corporation thus lost a subsidy of Rs. 11.91 lakhs (i.e. claim of Rs. 13.47 lakhs upto 1966-67 less Rs. 1.56 lakhs towards subsidy realisable up to 30th September, 1964.)

3.87. The Management informed Audit in November, 1970 as follows:—

“Whatever the legal view, there is little logic in the stand taken by the State Government that they refused the subsidy due to a change of aircraft from DC-3 to F-27. Their view would have been justified if an aircraft of poorer quality and performance had been substituted for the DC-3 but surely not when a modern high speed turbo-prop with greater passenger appeal was used. Quite apart from this, subsidy or no subsidy, places like Bhuvaneshwar and Visakhapatnam have to be retained on the air net work in the overall interest of national development.”

The Ministry informed Audit in October, 1971 as follows:—

“The DC-3 aircraft was replaced by F-27 to provide better

passenger service as Bhuvaneshwar is a place of tourist interest and in the interest of tourist and national development the two stations Bhuvaneshwar and Visakhapatnam have to be retained on the air net work. Even if Orissa Government had refused to give subvention and the Civil Aviation Development fund refused to include this in subvention these services would have had to be operated by the Corporation in furtherance of its overall objectives."

3.88. The Committee enquired about the level at which decision was taken to change the type of aircraft, extend the service and to increase the frequency and the reasons for not taking the concurrence of the State Government in terms of the contract. They were informed that a scheduling Unit comprising of senior officials of the three operating departments examines these requirements and draws up schedules to optimise fleet utilisation and at the same time meet as many demands as possible made on the Indian Airlines from time to time. The decisions in fact are the schedule that are drawn up.

3.89. In the normal scheduling process, they take into account the load factor which would be achieved and anticipated projections of loads on the routes and try to schedule the most convenient aircraft on the routes. There is no denying that if F-27 aircraft had not been introduced on the Calcutta|Bhuvaneshwar sector and if that service had not been extended to Visakhapatnam, Vijayawada and Hyderabad traffic on that route would not have developed to the extent to which it has. The Government of Orissa had taken refuge behind a technical point to refuse the payment of subsidy. They were, however, pursuing the case with the Government of Orissa and were hopeful of recovering at least part of the subsidy from them. As from 1st April, 1967 Calcutta|Bhuvaneshwar route had been covered for subsidy from the Civil Aviation Development Fund.

3.90. The Committee regret to note that owing to non-adherence to the terms of the agreement with the Government of Orissa, the Corporation had not been able to recover so far a subsidy of Rs. 11.91 lakhs payable by the State Government for operating Calcutta-Bhuvaneshwar-Calcutta air service upto 1966-67. The Committee agree that the introduction of a better type of aircraft or extension of service was not to the disadvantage of the State Government but the Committee see no reason why the concurrence of the State Government could not have been obtained by the Corporation to the proposed change to obviate the possibility of the State Government tak-

ing advantage of a technical point to refuse the payment of subsidy. The Committee hope this would be kept in view in future so that the Corporation is not put to avoidable loss in such cases.

G. Routes on which subsidy is claimed from Central Government

3.91. In respect of once weekly Calcutta-Port Blair service, the Central Government has been paying subsidy subject to the maximum of Rs. 3 lakhs per year. The subsidy claimed by the Corporation on the basis of deficit of revenue over the total operating cost during the years 1965-66 to 1969-70 was as follows:—

(Rs. in lakhs)			
Year	Amount claimed on the basis of ; deficit on route	Subsidy received	Deficit
1965-66	2.79	2.79	..
1966-67	4.41	3.00	1.41
1967-68	7.48	3.00	4.48
1968-69	12.46	3.00	9.46
1969-70	16.08	3.00	13.08
1970-71	12.90	3.00	9.90
	56.12	17.79	38.33

3.92. This matter was considered by the Committee on Public Undertakings (Third Lok Sabha) also and in their 23rd Report on Indian Airlines in March, 1966 the Committee observed as follows:—

“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.”

3.93. In reply to this recommendation the Government informed in March, 1969 as under:—

“The Corporation has not taken for granted that the operations on Calcutta|Port Blair service will always run into losses, but as long as this route was operated with a Dakota involving an unremunerative technical landing for refuelling at Rangoon, there was no possibility of operating this route on a self-financing basis. They had operated a direct service to Port Blair with a Skymaster aircraft but even that did not improve the economic viability of these operations.”

3.94. The Corporation informed Audit in October, 1971, as follows:—

- “(a) A bill for Rs. 12.46 lakhs was sent for the year 1968-69 out of which a sum of Rs. 3 lakhs have already been received. The remaining balance of Rs. 9.46 lakhs is still outstanding. A further bill of Rs. 16.09 lakhs has been sent in June, 1971.
- (b) The Viscount aircraft is again uneconomical and the technical halt at Rangoon has to be continued due to operational reasons.
- (c) This service is planned to be operated by Boeing 737 when the Port Blair Airport is ready for Boeing Operation.
- (d) The question of subsidy is still being pursued with the Government.”

3.95. The Committee enquired as to what extent the loss on this route was due to technical halt at Rangoon and what were the other factors responsible for the loss. They were informed that if the technical halt at Rangoon is eliminated the losses on this service would increase as the payload would be reduced considerably so as to carry more fuel for operation of this flight. The other reason that contributed to loss on this route was the absence of suitable aircraft.

3.96. At present Viscount Capacity was not meeting the demand fully and there was sufficient load available to operate Boeing 737 economically. The Boeing 737 had an adequate fuel capacity and a much larger cargo capacity. However, there was still airport constraint at Port Blair to operate Boeing 737. As soon as the runway was properly developed and the Corporation started operating this service with Boeing 737 aircraft, they hoped that the economics of the operation of this service would improve considerably.

3.97. It was estimated that the Corporation would incur a loss of Rs. 1.70 lakhs per month till such time as the Boeing 737 aircraft could be put into operation on this service. Even after that it would take little time for full traffic to develop on this route.

3.98. The Committee also enquired whether any final decision has been taken regarding the amount of subsidy payable on this route. They were informed that there was no final decision from the Government on the payment of the amount in excess of Rs. 3 lakhs per annum. Out of total deficit of Rs. 28.54 lakhs for 1968-69 and 1969-70 a sum of Rs. 6 lakhs had only been received and the balance of Rs. 22.54 lakhs still remained unpaid. Similarly for 1970-71 and 1971-72 only Rs. 3 lakhs for each year had been received. The case was pending with the Ministry of Home Affairs and the Ministry of Finance.

3.99. During evidence, the Secretary of the Ministry of Tourism and Civil Aviation stated that this service was commenced by Indian Airlines in January 1961 at the request of the Ministry of Home Affairs. At that time the Corporation felt that it was going to suffer a loss of Rs. 3 lakhs per annum and this amount was agreed to be paid as subsidy by the Home Ministry. Subsequently the type of aircraft was changed and it was now being operated by Viscount. The service also became from once a week to twice a week and it was being operated at present *via* Rangoon. With rising costs etc., the Corporation calculated that their provisional loss on this sector would be Rs. 16.81 lakhs in 1971-72. The suggestion that this should be brought within the purview of the C.A.D.F. was also considered but was not accepted as it was felt that since the Home Ministry was giving subsidy, they should increase the subsidy and the matter was being discussed with them. The matter was considered at an inter-ministerial meeting on 25th September, 1972 and it was decided to examine the matter after collection of further details.

3.100. The Committee view with concern the increasing loss suffered by the Corporation on the operation of Calcutta/Port Blair Service. As against the deficit of Rs. 2.79 lakhs in 1965-66, the deficit had increased to Rs. 16.08 lakhs in 1969-70. On the other hand the Government have not yet agreed to reimburse the deficit in excess of Rs. 3 lakhs per annum, with the result that the balance of Rs. 38.33 lakhs is still outstanding in respect of the years 1966-67 to 1970-71.

3.101. The Committee also regret to note that although since 1966-67, the amount of deficit had been more than the subsidy of

Rs. 3 lakhs, the question of the payment of any subsidy in excess of Rs. 3 lakhs has not yet been decided even after the lapse of more than 5 years. The Committee recommend that the quantum of subsidy to be paid on this service should be settled expeditiously.

H. Routes operated under Civil Aviation Development Fund

3.102. Government have, out the duty paid by the Corporation on aviation fuel, constituted a Civil Aviation Development Fund with effect from 1st April, 1964 with an initial grant of Rs. 1 crore. One of the objective of the Civil Aviation Development Fund is to given subvention to the Corporation for operation of unecnomic routes not otherwise justified on commercial considerations but necessary to meet regional requirements or promotion of tourism.

3.103. The cases for subsidy from the Civil Aviation Development Fund are placed before a Committee consisting of the following members:—

1. Secretary to the Government of India, Ministry of Tourism & Civil Aviation	Chairman
2. Financial Adviser of the Ministry of Tourism & Civil Aviation	Member
3. Director General of Civil Aviation	Member
4. Director General of Tourism	Member
5. Managing Director, Indian Airlines	Member
6. Joint Secretary to the Government of India, Ministry of Tourism & Civil Aviation	Member
7. Deputy Secretary to the Government of India dealing with Air Corporations in the Ministry of Tourism & Civil Aviation	Member Secretary

The Committee is advisory in nature and recommends to the Ministry of Tourism and Civil Aviation on the following matters—

- (a) The services to be operated by Indian Airlines on the basis of payment of subvention from the Civil Aviation Development Fund, in the interest of tourist promotion, or to meet the regional requirements of particular areas, or for other considerations which may not justify a directive under Section 34 of the Air Corporations Act, 1953.
- (b) The airstrips which should be constructed and the ancillary facilities to be provided for the operation of services referred to above which should not be fitter into general programme of Civil Aviation Department.

3.104. The Corporation had submitted the claims for subvention under the fund in respect of 17 routes during the years 1965-66 to 1968-69 but Government had been giving only *ad hoc* payments against the bills raised by the Corporation.

The main reasons for non-settlement of the accounts had been the non-acceptance by Government of the basis of computation of revenue by the Corporation.

3.105. Government decided on 23rd November, 1968 that the revenue for the subvention routes should be calculated after taking into account the number of passengers actually flown in these sectors both through as well those travelling in the split sectors and then the revenue computed with reference to the fare applicable to the split sectors.

3.106. On 11th March, 1970, the Corporation, however informed the Ministry that it was not possible to calculate the actual number of full and rebated fare paying passengers for the subvention sector as on such record were being kept by it.

3.107. In June, 1970, Government informed the Corporation that it was not possible for them to accept the method of calculation adopted by the Corporation as there was nothing to justify the deduction of 4 per cent. towards free, rebated and concessional passengers.

3.108. As a result of the above decision, the Corporation reduced its claim by Rs. 12.29 lakhs approximately and outstanding as per revised bills sent in October, 1970, for the period upto 1968-69 worked out to Rs. 33.99 lakhs.

3.109. The Ministry informed Audit in October, 1971 as follows:

“For subvention under Civil Aviation Development Fund the basis of arriving at the subsidy was finally settled during 1970-71 and the revised bills for all the previous years have already been submitted to the Government of India. However, the final payment in respect of these bills has not been received and only part payment has been made by Government.

3.110. The Committee enquired whether these bills had been finally settled. They were informed by the Corporation that certain cases, deduction had been made on a scrutiny by the Cost Accounts Branch of the Ministry of Finance with which the Corporation did

not agree. They had requested the Ministry of Tourism and Civil Aviation to call for a meeting so that the points raised by the Cost Accounts Branch could be discussed and final decisions taken.

3.111. During the course of oral evidence of the representatives of the Ministry of Tourism & Civil Aviation, the Committee enquired the reasons for the delay in settlement of these bills. The Secretary of the Ministry admitted that there had been certain delay in settling the bills because of disagreement between the Corporation and the Cost Accounts Branch about the methodology to be adopted in arriving at the actual amount. However, after discussion amongst the authorities concerned agreement was in fact reached as a result of which all bills from 1964 had been scrutinised and final payments had been approved and sanctions issued on the 18th March, 1972.

3.112. As regards the proposals for payment of subvention on the routes beyond 1st April, 1970, the Civil Aviation Development Fund Committee on 30th March, 1970 took the following decisions:—

- (a) Approval of the Civil Aviation Development Fund Committee should be obtained by the Indian Airlines before any change was made in regard to the type of aircraft operated, frequency of service and generally the pattern of operation of any service for which subsidy is claimed from the Fund.
- (b) While furnishing details of the financial results of routes brought within the purview of the Fund, information regarding load factor achieved, type of aircraft used and the basis on which computation was made of revenue and expenditure should be clearly indicated.
- (c) Even in the case of approved routes, no subsidy shall be payable if in any particular year the service covered the direct operating cost.
- (d) In respect of split sectors for which payment of subsidy had been approved by the Committee earlier, no subvention should be payable beyond 1-4-1970 if the entire route of which the approved sectors formed part met the direct operating cost.

3.113. The Corporation did not agree to the above conditions and it represented to the Ministry in April, 1970 "the conditions governing the payment of subsidy to Indian Airlines required to be reviewed as some of these lead to anomalous situation". The stand

taken by the Corporation was again reiterated by them in the meeting of the Civil Aviation Development Fund Committee held on 29th July, 1971.

3.114. The matter was reconsidered by the Civil Aviation Development Fund Committee at their meeting held on 11th February, 1972. The Committee examined the request of the Indian Airlines for a re-consideration of certain decisions of the Committee taken at their 9th Meeting held on 30th March, 1970 and further reviewed at the 10th meeting held on 29th July, 1971 and decided as follows:—

Decision taken at the 9th meeting held on 30-3-1970	Decision now taken after further review
(a) Approval of the Civil Aviation Development Fund Committee should be obtained by the Corporation before any change was made in regard to the type of aircraft operated, frequency of service and generally the pattern of operation of any service for which subsidy is claimed from the Fund.	Any change in regard to the type of aircraft operated frequency of any service for which subsidy is likely to last longer than two weeks, should be reported to the Ministry immediately after the change giving reasons therefor, with particular reference to the extent to which the economics of operation of the service would be affected by the proposed change.
(b) Even in the case of an approved route, no subvention should be payable in a particular year if the service covered the direct operating cost.	This decision should stand.
(c) In respect of split sectors for which payment of subsidy had been approved by the Committee earlier, no subvention should be payable beyond 1-4-1970 if the entire route of which the approved sectors formed part met the direct operating cost.	This decision should stand.

3.115. The Civil Aviation Development Fund Committee also examined whether subsidy payable from the Fund for an approved route should be the difference between the revenue earned and the total operating cost (TOC) or the difference between the revenue and the direct operating cost. It was noted that, in many cases, the quantum of subsidy per passenger exceeded the fare paid on the sector concerned. The Committee felt that the Corporation should nurture such routes as developmental routes and should bear a part of the loss on the route in excess of the direct operating cost. After some discussion, it was felt that this matter should be examined further. For the purpose, the Financial Controller would furnish a detailed not indicating the various elements which went to make the direct operating cost and the indirect operating cost, to enable the Committee to review and decide whether any re-adjustment was justified in the apportionment of these costs.

3.116. During evidence of the representative of Indian Airlines, the Committee enquired the basis on which subsidy was granted by the Government. The representative of the Corporation stated that

they were paid subsidy for routes which Government wanted the Corporation to operate either for promotion of tourism or for the purpose of regional development. However, Government had laid down certain conditions for the grant of subsidy. One of them was that subsidy would be given on new routes only after they had run for three years and had shown loss. Another criteria was that if a route was extended from one point to the other either for promotion of tourism or for the purpose of regional development, then even though the service between the two points might incur a loss, that loss was not reimbursed unless the whole route resulted in a loss. Thirdly, the subsidy was allowed only if the direct operating cost was not met. This resulted in an anomaly. For instance, if the direct operating cost happened to be Rs. 60 and the total operating cost Rs. 100 then if the total revenue was Rs. 55/- the Corporation would get Rs. 45/- as subsidy. But if the revenue increased to Rs. 70, it would not get any subsidy at all even though the total operating cost was not met. These anomalies had been made known to the Government but they had not been able to appreciate these points so far.

3.117. In this connection, the Committee also considered the question of the amount paid by Indian Airlines as excise duty on aviation fuel and the amount actually received by them as subsidy from Civil Aviation Development Fund. The Committee were informed that the total amount paid by Indian Airlines as Excise Duty on Aviation fuel was the amount that could accrue to this Fund in any particular year. However, Ministry of Tourism and Civil Aviation only appropriated to the Fund such amounts as were likely to be paid out in a particular year subject to the maximum of the Excise Duty paid by Indian Airlines on aviation fuel.

3.118. A sum of Rs. 23.47 crores was paid by Indian Airlines as excise duty on aviation fuel and oil from 1964-65 to 1971-72. A sum of Rs. 9.3 crores only was appropriated to the Civil Aviation Development Fund during the period 1964-65 to 1971-72. Payments from the fund during the period amounted to Rs. 9,04, 00,533 as indicated below:—

(1) Payment of subvention to Indian Airlines in respect of the losses suffered in the operation of ferry flights for tourist charter uneconomic routes and circuitous routing of their flights in the Eastern region to avoid Pakistan territory etc.	Rs. 6,32,00,272*
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*According to Audit the figure of Rs. 6.32 crores does not include any amount sanctioned for the operation of ferry flights for tourist charters. An amount of Rs. 3,65,540 and Rs. 41,902 for the periods upto 1969-70 and 1970-71 in respect of ferry flights for tourist charters were sanctioned by Govt. in September, 1972. This is however not included in the figure of Rs. 6.32 crores.

(2) Subsidy paid to Indian Airlines for payment to Air-India to make good 50 per cent of their losses due to Indian Airlines not pro-rating tourist fares	Rs.	37,74,061*
(3) Subsidy to HAL for the purchase of HS-748 aircraft by Indian Airlines	Rs.	2,34,26,200
	<u>Rs.</u>	<u>9,04,00,533</u>

3.119. The Committee regret to observe that the long delays occurred in the settlement of the bills pertaining to subsidy payable from Civil Aviation Development Fund during the years 1965-66 to 1969-70 and bills could be finally settled only on 18th March, 1972. The main reason for non-settlement of the bills was stated to be the non-acceptance by Government of the basis of computation of revenue by the Corporation. The Civil Aviation Development Fund having been constituted in 1964, it is surprising that even after the lapse of 8 years the principles which should govern the payment of subvention from the Civil Aviation Development Fund have not been finally decided. The Committee regret to note that no immediate steps were taken in this regard in spite of the recommendation of the Committee in para 28 of their 23rd Report (Third Lok Sabha) in March, 1966 suggesting 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.

3.120. The Committee recommend that, in order to avoid the delay in the payment of subsidy, the Corporation should maintain proper accounts so that all the relevant information is readily available for determination of the amount of subsidy payable in any year.

3.121. The Committee also note that as against the sum of Rs. 23.47 crores paid by Indian Airlines as excise duty from 1964-65 to 1971-72 on aviation fuel and oil, the amount appropriate to the Civil Aviation Development Fund during the period was only Rs. 9.04 crores. The Committee recommend that the feasibility of enlarging the scope of the payment of subsidy from Civil Aviation Development Fund, should be examined so that the Corporation is compensated to some extent the heavy financial burden shouldered by them on account of heavy duty on aviation fuel and oil.

*According to Audit an amount of Rs. 61,14,189 was sanctioned by Government for the period from August, 1965 to December, 1971.

IV MAILS

A. Carriage of Mails

4.1. Night Airmail Service was introduced with effect from 30th January, 1949 and All-up Scheme from 1st April, 1949. Since then all 1st Class mails (letters, postcards and money orders) are being airlifted, wherever advantageous, without any surcharge. The P & T Department is now utilising all available air services, whether by day or by night, for the conveyance of mails provided they operate with a frequency of at least 3 times a week.

4.2. The Government have entered into an agreement with the Indian Airlines for conveyance of mails. Under the provisions of the agreement, the Government give no guarantee of any minimum weight of the mails but will specify within fair approximation the maximum possible daily offerings for various routes from different stations. This is to be periodically reviewed and amended by mutual consent. The Airline is bound to provide the necessary capacity. The agreement also provides for the priority to be given to 1st Class mails comprising letters, postcards, and money orders over passenger traffic and the other mails over air freight except perishable items.

4.3. The table below indicates the mail carried by Indian Airlines during the last 5 years:—

Year	Mail carried	
	Tonnes	Growth in terms of percentage as compared to previous year
1967-68	9931	9.1
1968-69	10206	2.8
1969-70	10724	5.1
1970-71	10057	(-)-6.2
1971-72	11784	17.2

4.4. In a Memorandum furnished to the Committee by the P & T Board, it was stated that "on all the services including the

Night Airmail Service utilised for conveyance of mails, mail allotment which is termed as prescribed capacity has been fixed and the Airlines are expected to accept mails upto this limit. The Night Airmail Service is now a coordinated and integrated system for conveyance of mails for the major trunk routes and non-operation of the flight even on one sector completely disrupts the entire mail arrangements. Such instances are not un-common. Very frequently, the I.A.C. do not accept mails upto the prescribed capacity not only on Night Airmail Service but on other flights also. On these occasions, the left over mails cannot be held over till the next day because there is no guarantee that this mail would be accepted by the next flight with the result that the mails once carried to the airport for despatch by air have again to be brought back and despatched by surface routes. This results in greater delay than if they had been despatched by surface in the first instance.

4.5. Another problem which faces the Department is that the mails are not now getting the same priority as before. Mails are now relegated to second and some times even third position inasmuch as passengers and newspapers got priority over mails. Whenever for any operational reasons the planes cannot carry the full payload, the mails are the first casualty and even if already loaded in the aircraft, mails are off-loaded.

4.6. The situation regarding conveyance of mails had deteriorated to such an extent that in 1970, the case was taken up by Secretary, Communications with the Chairman, Indian Airlines, on 1st April, 1970 and a number of letters were exchanged. The Chairman, Indian Airlines, intimated the following reasons for the non-acceptance of the mails:—

“(a) On the Night Airmail Service, three different types of aircraft operate, i.e., Friendship aircraft 100/200 series from Calcutta and Delhi, HS-748 aircraft from Madras and Viscount aircraft from Bombay.

(b) Whenever F-27 aircraft (100 series) operate Delhi area can accept upto 1050 kgs. of mails and when 200 series operator they can accept upto 1350 kgs. of mails. As the Airlines had lost one aircraft recently, they were short of 200 series aircraft and the main Night Airmail Service was being operated by 100 series aircraft. Consequently, the mail lifted ex-Delhi had to be less than that from Bombay.

- (c) Further, Bombay was operating the Night Airmail Service with Viscount aircraft which made it possible for carriage of commercial load upto 4700 kgs. against 2900 kgs. of load ex-Delhi for Nagpur. However, on the return sector Nagpur|Delhi, a higher payload of 3300 kgs. was available.

4.7. The Chairman also admitted that although the Night Airmail Service in its essence was meant for carrying mails, in exceptional cases, the Indian Airlines were compelled to give a higher priority to the carriage of passengers on considerations which warranted such treatment. The passengers had to be accommodated at a short notice on compassionate grounds like serious calamity in family, serious illness of a near relative, etc."

4.8. According to P & T Board as there was no improvement in the situation, the Minister of Communications took up the matter with the Minister of Tourism and Civil Aviation on 21st October, 1971. Subsequently, he also held discussions with the Minister of Tourism and Civil Aviation on 5th November, 1971. At the latter's instance, the Secretary, Tourism and Civil Aviation, wrote to the General Manager, Indian Airlines, in his D.O. No. 6201|SAT|71, dated 5th November, 1971 to ensure that all mail is carried by Indian Airlines and there is no hold-up or go-slow on this issue.

4.9. As a result of these efforts there had been some improvement and instances of off-loading of mails and non-acceptance of full quota of mails had gone down. However, reports continued to be received from Bombay that full quota of mails was not being accepted on the Night Airmail Service.

4.10. The Committee enquired from Indian Airlines the reasons for not giving the priority for carriage of mails as provided in the agreement. They stated that "on account of the importance that Indian Airlines attaches to mails, prior allotment is given to them. Along with newspaper allotments, they form what is known as 'dead load', and only the residual payload is sold to passengers and cargo.

4.11. Although the agreement with the Postal Department is for suitable priority and non off-loading of only 1st Class mail, the allocation of load for the carriage of mails includes both 1st and 2nd Class mail. For purposes of allotting load, no distinction is made between the carriage of 1st and 2nd class mail since both these categories are classified as 'dead load'.

4.12. The only circumstances under which a difference is made between 1st and 2nd Class mail is when it is necessary to off-load payload due to adverse weather conditions when the Commander of the service decides to carry extra fuel. In all such circumstances, cargo is offloaded first and only if more load is to be taken off, then the offloading of 2nd class mail is resorted to. Whenever, necessary, newspapers are offloaded before 1st class mails.

4.13. The reported cases of offloading of mail primarily refer to a working arrangement with the local Postal Authorities at airports, by which Posts and Telegraphs are allowed to bring mails in excess of the allotment. The understanding is that the first priority is given to the allotted amount of mails, and provided extra payload can be accommodated the additional offer of mails will be taken. For a variety of reasons, circumstances do arise when it is not possible to accept the mails in excess of the allotment. This mail, thus taken back by the air mail staff, is often misconstrued and misreported as offloaded mail. There might have been a few cases for offloading of mail within the allotment also, but such offloading of mails is restricted to only 2nd class mails. Instances have been pointed out where 1st class mail also got offloaded, but upon investigation it was often revealed that this was because there was no clear distinguishing marks between the 1st and 2nd Class mail bags."

4.14. The Committee were also informed that "one circumstance under which mails can get offloaded is when, consequent upon the cancellation of a service of the previous day, the Postal Authorities ask us to carry mails of the cancelled service as also the allotment for the next day's operation. This would mean that the mail load will have to be doubled and this is not practicable in many instances."

4.15. As regards steps taken to improve the position the Corporation stated that "periodical meetings are held in the Regions by the Commercial Manager and his staff with the Post Masters General of the Regions. At Headquarters, periodical meetings are also held with the Director of Posts and Telegraphs. Full advantage is taken of these meetings when working problems are discussed and extra allocation of load for carriage of mails is arrived at from time to time.

4.16. The only sector where we have not been able to allot sufficient load for mails is on the Delhi|Nagpur sector of the Night Air Mail Service. This is primarily due to the type of aircraft used for

this operation. The 100-series of the F-27 offers a very small payload and they were, therefore, not in a position to give the allotment of loads as desired by the Postal Department." They were however, agreeable to make a higher allotment for mails on the morning services departing from Delhi.

4.17. The Committee, were, however, informed by the P & T Department that from the point of view of Posts Office, it was advantageous to despatch the mails as late in the evening as possible so that they may cover the mail that was posted by the public earlier in the day and was delivered at the destination early next morning. It was on this account that the Night Airmail Service was really advantageous. Higher allotment for mails on the morning services would not serve the same purpose.

4.18. The problem could be solved if bigger aircrafts were utilised for operation of Night Airmail Service or else all the Night Air Centres were connected directly by faster planes having sufficient payload so as to start from each of the night air centre some time after 2300 hrs. and to reach other night centres before 0500 hrs.

4.19. The Indian Airlines also stated that with the addition to the fleet of Boeings and HS-748, the Corporation had been attempting to induce the Postal Department to give extra quantities of mails for carriage, both on the stopping services and also on the trunk routes. There was considerable scope for increase in the mails on the stopping services, but the Postal Department were unable to accept the suggestions.

4.20. The P & T Department, however, pointed out that in regard to transmission of mails by air, the policy of Department was that mails were despatched by air only when it was advantageous and flights were operated at least 4 times a week because the utilisation of flights only on certain days of the week created sorting problems. Subject to these provisions all the available flights were utilised for conveyance of mails and all the mails that could be made available were despatched by air. As such it was not possible to offer mails on sectors which were not utilised for conveyance of mails or extra mails for sectors over which the Indian Airlines had some spare capacity.

4.21. During evidence, the Chairman P & T Board stated that "last year the position (regarding the carriage of mails) was really bad. When the matter was taken up by our Minister with the Minister of Civil Aviation and also we had direct discussions with the Ministry and subsequently it had improved quite a lot." The

Committee, however, learnt that still only 50 per cent of the first class mail i.e. post cards, envelopes were being carried by air at present. The rest of the mails went by rail.

4.22. Asked as to how long it would take for the two Ministries to sort out the problems so that 100 per cent of the mails could be carried by air wherever this was convenient, the Secretary of the Ministry of Civil Aviation stated that this depended largely on the capacity of the Indian Airlines. As soon as their fleet position improved and more space was available they would try and carry as much as possible. This was also closely linked up with mail rates. Being a Commercial organisation, the rates or subsidy should be such as to make it worthwhile for the Indian Airlines to make available more capacity for mails rather than carry other things.

4.23. In a vast country like India with the development of faster communications the airlifting of mails is a necessity and therefore, needs no emphasis. The Committee, however, find that at present only 50 per cent of the first class mails (post cards, envelopes and money orders) are being airlifted. One of the reasons advanced is that there was shortage of capacity with the Indian Airlines. The Committee however, find that the percentage of increase in mails carried by air during the last five years (1967-68 to 1971-72) had been only 19 per cent, as compared to 42 per cent in the case of passengers. It is, therefore, apparent that the airlifting of mails had not been given the importance it deserved. The Committee desire that satisfactory arrangements should be made by the Indian Airlines for the carriage of mails by air by ensuring regular operation of their services especially the night air mail service which is meant primarily for the carriage of mails and to deploy the right type of aircraft for these services to be able to carry the mails upto the prescribed capacity and to see that no portion of the air mails is off-loaded to accommodate the passengers.

The P & T Department being one of the biggest customers for Indian Airlines should get the best service in public interest.

4.24. The Committee also desire that the Indian Airlines being a national net work, there should be coordinated approach in future planning so as to provide as far as possible for air carriage of all first class mails between the Centre and State Capitals and for this purpose the Corporation should make available to the P & T Department the requisite 'dead load' on assured basis.

B. Mail Rates

4.25. The Air Transport Inquiry Committee had made its recommendations in 1950 for the rates that should be charged for first class mail and second class mail respectively. The basic freight rates in 1950 expressed as the rate per Tonne Kilometre were varying widely on different sectors and the A.T.I.C. arrived at the main basic freight rate. A.T.I.C. recommended the rate of "mean basic freight rate plus 12-1/2 per cent for 1st class mail and mean basic freight rate minus 25 per cent for 2nd class mail, and that uniform rates for carriage of first and second class mails should apply all over the net work regardless of the regions." These rates approved by Government in 1951 for carriage of mails by air were followed by the Corporation till June, 1963 when, on a request from the Corporation for an increase in the mail rate carriage or the increase in the basic freight rate, Government agreed to give an *ad hoc* increase of 10 per cent on the domestic mail rates effective from 1st July, 1963.

4.26. In view of the continued losses on the operation of night air mail services, the Corporation in January, 1967 again took up the question of enhancement of the mail rates and proposed to the Ministry that the entire cost of operation of the night air mail services which are exclusively meant for carriage of mails should be met by the Post and Telegraphs Department. Government did not accept the above proposal, but approved the increase in the mail rates with effect from 1st August, 1967 by 15 per cent on all the routes except in the Assam areas where the increase was limited to 5 per cent only.

4.27. According to IAC the revision in the Mail rates was independent of the revision in freight rates and the two *ad hoc* increases were to the disadvantage of IAC. The IAC had been wanting to revise the mail rates upward to a reasonable level and had suggested to the P & T Department the application of the ATIC formula.

4.28. The question of the further revision was taken up with the Ministry on 2nd/4th December, 1969. The Ministry, however, directed that the question of increase may first be taken up with the Posts and Telegraphs Department.

The Postal Department was accordingly approached in February, 1970 but it did not agree to any increase. In December, 1970 the Posts and Telegraphs Department informed the Corporation as follows:—

"A fair basis for determining rates of payment can only be

with reference to the cost of operation of the air services after excluding from it, cost incurred on services not rendered for mails, such as, booking agency commission, expenditure incurred on publicity, sales promotion, cargo services and surface transport and other amenities to passengers."

4.29. The Corporation informed Audit in October, 1971 as follows:—

"In December, 1970, the D.G.P & T. advised that they were not agreeable for revision. There was no alternative but to request the Ministry of Civil Aviation and Tourism Development to intervene and take up the matter with D.G.P. & T. The first round of discussions took place in the month of August, 1971 and further negotiations are in progress."

4.30. The Committee enquired as to what was the reaction of the Corporation to the proposal made by the Posts and Telegraphs Department in December, 1970 regarding determination of a fair basis for the fixation of rates and what was the present position in this regard. They were informed that the P & T Department had proposed a modification of the UPU (Universal Postal Union) formula. The UPU formula is based on the cost of operations, less costs that are inapplicable to mail carriage, with certain percentage additions to cover priority, special services, value of service and return on investment. The modifications desired by the P & T Department were that only the deduction factor (and not percentage increases) were to be taken into account. This was not acceptable to Indian Airlines, which was of the view that the entire formula, inclusive of percentage increases, should be made applicable to the cost structure of Indian Airlines.

4.31. A meeting was held on 28th April, 1972 between the Minister for Tourism and Civil Aviation and Minister for Communications when it was decided to form a Mail Rates Revision Committee, with a representative of Finance Ministry in the Chair. This Committee was to examine the UPU formula and its application to the cost structure of Indian Airlines, and was required to furnish its report by the end of August, 1972. The Committee, however, submitted its Report on 12th December, 1972.

4.32. In the meanwhile, the Minister for Communications agreed to an interim and *ad hoc* increase of 20 per cent in the mail rates

from March, 1970 as also the application of the UPU rates for out-going mails from gateway points.

4.33. In this connection, the Indian Airlines also stated that the rates paid by the P. & T. Department to Indian Airlines were not only lower than in other countries but that the variation from basic freight rates was also disadvantageous. The following statement indicates the mail rates (converted into rupees) prevailing in four countries abroad, as compared to ruling basic freight rates. The four countries are amongst the few which have a large volume of mail carried on domestic sectors.

Country	Mean basic freight rate per tonne kilometre	Mail Rate		percentage of freight rate	
		I Class per tonne Kilometre	II class per tonne Kilometre	I Class	II Class
1	2	3	4	5	6
India	3.12	2.3208	1.3538	74	43
	area excluding Eastern Region				
	(Eastern Region)	2.1190	1.2361	68	40
U.K.	5.1760	5.3109		103	..
Japan	2.3634	6.7357	4.7268	285	200
Australia	3.22	6.8500	..	213	..
*USA	2.1146	2.7180	1.3743	129	65
		to	to		
	3.2290	3.2290	1.8853	153	84

4.34. The Committee find that the mail rates originally fixed on the recommendations of the Air Transport Inquiry Committee have been revised thrice since 1951. However, instead of fixing the rates on a scientific basis, Government had been granting ad hoc increases from time to time. It is only in June, 1972 that the Government appointed a Committee to go into the question of revision of mail rates. The Committee find that the Committee on revision of Mail Rates in its Report submitted on 12th December, 1972 has suggested a formula for arriving at the rates payable by the P & T Department

*The mail rates in the USA are under revision and it is expected that the Civil Aeronautics Board will agree to rise during the course of this year.

to the Indian Airlines for carriage of mails and has recommended that the formula may be in force from March, 1970 till 1978-79 i.e. the last year of the 5th Plan unless reviewed earlier by mutual agreement. The Committee expect that the Corporation would take steps to determine the mail rates on the basis of formula suggested by the Committee on Revision of Mail Rates.

FARE STRUCTURE

Passenger and Freight Rates

5.1. Under Section 7(2) (i) of the Air Corporations Act, 1953, fares and freight rates and other charges in respect of the carriage of passengers and goods on air transport services operated by the Corporation are to be determined with the previous approval of the Central Government. On nationalisation, the Corporation adopted the fare structure of the ex-operators. The passenger fares were revised with effect from July, 1955 on the basis of the recommendations of a Committee set up by the Corporation in April, 1954. The Air Transport Council in May, 1957 made a thorough study of the cost structure of Indian Airlines and recommended the taper per mile which was made applicable in June, 1958. Subsequently, the Corporation with the approval of Government, have increased the fares seven times (details given in Appendix VIII) during the period from November, 1960 to July, 1971. The increases in the fares were made by adding a percentage over and above the taper per mile recommended by the Air Transport Council but without correlating these to the actual cost of the operation of the fleet.

The increase in fares on certain sectors with reference to 1955 base shows a rise ranging from 64 per cent. to 121 per cent.

5.2. In this connection, the Ministry informed Audit in October, 1971 as follows:—

- “(a) The increase in fares have never been to the extent of increase in cost of operation and have always met the cost increase half way.
- (b) Even with the recent increase of fares on Indian Airlines the IA fares are the lowest amongst domestic operators all over the World. The new fares which have come into force from July, 1, 1971 as announced earlier, are rated at about 28 paise per kilometre. This compares very favourably with Malaysia (39 p.), Thailand (40 p.), Australia (31 p.), Burma (31 p.), Great Britain (48 p.), Canada (35 p.), France (50 p.), Germany (59 p.) and United States (43 p.)”

5.3. The Committee enquired whether the basic parameters accepted by the Air Transport Council in fixing the taper per mile still hold good. They were informed that the Air Transport Council had considered the parameter of cost of service and value of service for the fixation of the ATC taper, and had ultimately opted for the principle of cost of service plus a reasonable profit. This basic parameter is still holding good in view of the fact that the increase in ATC Taper has been closely related to the increase in cost of operations. The Air Transport Council had considered the feasibility of fixing fares in accordance with aircraft-wise operating costs, but had discarded it in favour of the taper which is based on the net-work cost of operations. The Air Transport Council had also considered and discarded the principle of fixation of fares on each sector depending upon the sector cost of operations. The cost of operation per seat mile varied depending upon the aircraft used, the stage length, other operational features like frequency etc. The ATC felt that this principle would lead to unequal fare rates, penalising routes with a low frequency or operated by high cost aircraft.

5.4. However, the ATC principle of a uniform taper for all services was set aside when the principle was accepted in 1961 to maintain the differential in fares in accordance with aircraft sophistication and to offer preferential treatment to the Eastern Region. Consequently, there were five applicable tapers at present as below:—

- (a) DC-3 in Eastern Region;
- (b) All other services in the Eastern Region;
- (c) DC-3 services elsewhere;
- (d) Turbo-prop services and jet services on regional Routes;
- (e) Trunk Services.

5.5. The Committee enquired whether the customers composition in India was taken into consideration while fixing the fares. They were informed that when Indian Airlines made its approach to the Government for revisions in fares, the customer composition was taken into account. A majority of the passengers was known to be made up of either expense account executives, Government/Public Sector officials or those belonging to the upper strata of society. The fare structure was therefore designed to be such as to enable the Corporation provide financial surpluses, as deficits would be tantamount to the expense account or wealthy travellers being subsidised out of the national exchequer to which an average tax payer

contributed. The fares on Indian Airlines had, therefore, been fixed at a level to meet the cost of operation, although at the Government instance these had not been high enough to provide adequately for building up reserves. The Corporation has stated that "the fares of Indian Airlines have been kept at a very low level in the context of the overall national policy of keeping prices down. Since most of the elements of our costs are governed by world practices, this has resulted in the corporation being unable to achieve a commercial level of profitability."

5.6. The Indian Airlines also admitted that it was incorrect to compare Indian Airlines fares with fares ruling on domestic airlines abroad, in view of the wide difference in cost of operations, nature of the service rendered, the general economy of the country, etc.

5.7. The Committee also enquired the opinion of Indian Airlines on the suggestion that there was need for rationalisation of fare structure as fare revisions on *ad hoc* basis in the past had resulted in long haul routes subsidising the short haul ones. They were informed that "Indian Airlines does not plant to apply immediately for an increase in fares. However, it has in hand studies on the present fare structure of the Corporation and the need to rationalise it."

5.8. The Committee also enquired whether the fares could be reduced. The Secretary of the Ministry stated during evidence "I do not think it is a practical proposition."

5.9. As regard Eastern Sector it was stated that air travel in the eastern region was more of a necessity than a luxury, particularly as the facilities for surface transportation were circuitous and time-consuming. In fact, the patronage of Indian Airlines consisted of the poorer sections of the community in the Eastern Region. It was for this reason that Indian Airlines had accepted the principle of fare differential. Fares in the Eastern Region were generally 25 per cent below those ruling elsewhere in India.

5.10. The Committee also enquired whether there was any proposal under consideration to introduce cheap Janta service especially in Eastern Region, where there were no other quick transport facilities available. The Secretary of the Ministry stated during evidence that the fares in the Eastern Region were already lower. Last time when the fares were increased, the increase was 7-1/2 per cent in Eastern Sector whereas it was 15 per cent in other areas.

However, Indian Airlines had been for some time thinking of introducing services at night at very cheap fare. But it would take some time. There were some problems and they were examining these problems. It was proposed to operate night services with Jet aircraft. Studies were in progress to determine the additional requirements in respect of crew, engineers and traffic staff as well as such other facilities as terminal ground support and night landing facilities at Nagpur and other stations likely to be served by these services.

5.11. The Committee find that there have been several upward revisions of fares from those fixed in July, 1955 on the basis of recommendations of a Committee set up by the Corporation. The increase in fares on certain sectors with reference to 1955 base shows a rise ranging from 64 per cent to 121 per cent. The Committee note that these revisions have been made on an ad hoc basis by adding a percentage over and above the taper per mile recommended by Air Transport Council without correlating these to the actual cost of the operation of the fleet. The Committee therefore, recommend that the fare structure of Indian Airlines should be critically examined with a view to rationalise it and the studies being made by Indian Airlines in this regard should be expedited. The Committee also feel that while, as stated by the Secretary of the Ministry during evidence, it might not be a practical proposition at present to reduce the fares in general Government should consider the feasibility of introducing special services at low fares to meet the social requirements of the country and to make air travel within the reach of the less affluent sections of the society, particularly in areas where there are no other easy means of transport. The Committee consider that the proposal of the Corporation to operate night services with Jet aircraft is a step in the right direction and they desire that urgent steps should be taken to finalise and implement this proposal.

VI

PASSENGER AMENITIES

A. Delays in operation of scheduled services

6.1. The table below indicates the total number of actual take offs and those delayed during the last five years:—

	1967-68	1968-69	1969-70	1970-71	1971-72
I. Total No. of actual take offs	71,662	77,859	88,874	93,162	80,971
Delays for 15 mts. and above :					
Nature of delays:					
(i) Bad weather	1,759	1,762	2,478	856	1,852
(ii) Engineering	1,407	1,632	2,203		2,602
(iii) Traffic including surface transport	824	1380	2,238	2,025	3,753
(iv) Operation	468	393	624	1,110	908
(v) Connections	7,167	12,589	19,943	19,853	16,332
(vi) Other including ATC, customs and catering	1,130	845	1,516	3,127	2,177
TOTAL DELAYS	12,755	18,601	29,002	26,971	28,824
Percentage of delay to total take offs	17.80	23.89	32.63	28.10	35.6

NOTE : Delays for 15 minutes and above include cancelled flights as no separate record was being kept till April, 1969. During May, 1969 to March, 1970 cancelled flights numbered 1874. Total number of engineering delays and cancellations in 1970-71 was 2333.

6.2. It will be seen that the number of services delayed for 15 minutes and above are increasing year after year, and it had gone upto 35.6 per cent of the total take offs in 1971-72 as against the corresponding figure of 17.8 per cent in 1967-68. A study of the data relating to various regions upto 1969-70 indicated that the delays in Delhi and Calcutta bases were the highest. The percentage of delays (15 minutes and above) to the total number of take offs

in Delhi increased from 24.62 per cent in 1967-68 to 34.96 per cent in 1969-70 and that in respect of Calcutta base, increased from 12.35 per cent to 50.04 per cent during the same period.

6.3. The Committee enquired the reasons for the increasing trend in the number and the percentage of services delayed. They were informed that during the period under review, the Corporation lost 5 aircraft in accidents and in spite of this the utilisation of the remaining fleet was stepped up. As against 71,662 take offs in 1967-68, the take-offs in 1970-71 was 93,162. The Corporation had to resort to operations without standby aircraft. Thus, if an aircraft was held up either due to mechanical, weather or any other reasons, the number of primary as well as consequential delays increased. Further 1970-71 was the worst period faced by the Corporation in the area of industrial relations. The continuous reduction in services led to a declaration of lock-out in March, 1971. This resulted in delays and cancellation of services. Subsequently it took considerable period for restoration of normalcy of flights.

6.4. As regards the special factors which resulted in steep rise in the delayed take-offs in Calcutta area, it was stated that the major reason for delays in Eastern Region was loss of one F-27 aircraft over Khulna on 21-4-1969. This had two effects. Firstly, the reduction in the fleet which had an impact on the availability of aircraft as 'standby'. Secondly, consequent to this accident, the Pilots insisted on discontinuation of services in the Eastern Region after 1630 hours. In many cases, they resorted to grounding aircraft at an outstation at that time. The crash had psychological effect on the Pilots.

6.5. Asked about the action taken by the Corporation about these delays, the Committee were informed that delays to aircraft due to Engineering were being investigated in conjunction with Civil Aviation Authorities and in majority of the cases, the defects were pin-pointed and immediate corrective action was taken in the form of modification action|curtailment of overhaul life, etc. The matter was also referred to the manufacturers and their views obtained and suggestions invited. Besides, the various manufacturers|vendors constantly reviewed the defects experienced during operation and issued modification Bulletins for incorporation on the aircraft or components.

6.6. The 'ON TIME' performance|Technical Regularity due to engineering reasons had been constantly high which was normally on the average 97 per cent which was comparable to any other Internal Operator. The reasons other than engineering like Industrial unrest had contributed towards slight decline in this rate but these had nothing to do with defects encountered on the aircraft.

6.7. As regards investigation into delays due to other causes it was stated that in each Region there was a Delay Committee whose membership included representatives of all the functional departments concerned. This Committee, which was to meet on a day to day basis, investigated the reasons for the delays in services operating each day. It was admitted that the functioning of these Committees had become somewhat less effective than desirable. The Corporation realised the need for re-vitalising these Committees and instructions had again been issued to ensure that they work in an effective manner.

6.8. The Committee were also informed that the Corporation had formed 'delay cell' at the Engineering Headquarters. The cell prepared an analytical statement of all types of delays (15 minutes and above) and cancellation of scheduled flights every month. Analytical figures were being circulated to Departmental Heads and Regional Directors in the areas and to Senior Managers and the Directors at Headquarters for scrutiny and for taking appropriate corrective action. These statistics were also reflected in the monthly 'FACTS FOR MANAGEMENT' and were then discussed in the Headquarters Committee with a view to take appropriate corrective action.

6.9. During evidence, the Committee referred to the following observations of the Committee in their 23rd Report (3rd Lok Sabha) on Indian Airlines:—

"There is an impression amongst the people that delays in Indian Airlines flights are normal feature and much of it is due to bad organisation and lack of spirit of service."

6.10. Asked about the steps taken by the Management in this regard, the representative of the Corporation stated as follows:—

"The Management and all of us are very much seized of these problems and the type of reactions that we get from the passengers. Often, we share the view on the subject. We have tried various procedures to try and improve it. The first approach is involvement. What we have found

amongst the staff is that delay seems to be a responsibility only of the commercial department. This is a wrong approach. What we have tried to do is to tell the mechanical department, the engineering department and other departments that a delay means a delay to customers and that they should not view it departmentally. We have held a number of exercises and we have started a training programme. Another thing that we have done is to create a task force. You will appreciate that we cannot change all this straightway. We are attaching the weak areas, the areas in which this sort of delay occurs. In this task force, we have started two things. One is, information system under which there is a person who knows that the aircraft has arrived, say, 20 minutes late. Now that one person has to direct the activities of other supervisors to see that the delay of 20 minutes is reduced or to see that it is not worsened. We have started these task forces and we are making positive efforts to eliminate the delays and to tell the staff not to look inwards departmentally but outwards towards the convenience of the passengers. Suppose there is an engine snag and a certain component is required. Avoidable time is spent in trying to get hold of the stores men and get that particular component. We are trying to improve the communications system to avoid this delay. We are handicapped in this because we do not have the equipment.

There are various activities like this which I can list, but in short, I assure you that we are terribly seized of this problem and constantly working at it. We are going in for additional equipment also.

6.11. The Committee also discussed this matter during evidence with the Secretary of the Ministry of Tourism and Civil Aviation. The Secretary of the Ministry stated as follows:—

“This is a matter which we feel extremely concerned and distressed about. We realise that in recent months, particularly, the travelling public has been greatly harassed and inconvenienced by delays, cancellation etc. but while I am not trying to justify them at all—and remedial measures must be taken,—we have had certain unforeseen or rather difficult situations. Apart from the normal factors for delay such as adverse weather with consequential delays all along the route for obvious reasons,

there have been special factors like the unfortunate labour unrest, the almost deliberate go-slow tactics on the part of the various sections of employees etc.; and we also had an unusually large number of bird-hits which have incapacitated the planes. The fact remains that every case of delay is examined. It is first reported by the Airlines themselves; it has to be put to the DGCA which comes to us and I can assure the Chairman and the Hon. Member that we are doing our very best to ensure that delays are reduced and the public is not inconvenienced."

6.12. The Committee pointed out that the passengers were not even informed about the extent of delay of the flights. The Managing Director of Indian Airlines stated as follows:—

"We have issued instructions that in case of delay, all passengers must be kept informed, possible before they leave their residence for the airport. At the airport itself, we inform the passengers about the exact cause of the delay and duration. But sometimes the earlier estimate of rectification of a particular delay does not come out to be correct and there is more delay. All I can say is, we will certainly try to keep the passengers informed about the delays and give an accurate estimate of the delay at the airport. We are moving in this direction. We have set up various machinery and task forces for this purpose. In Delhi itself, we have four telephones by which passengers can enquire about the delay and information is given. Why the passengers are not informed at their residences, I will look into it and if need be take disciplinary action against those who do not follow the instructions."

6.13. The Secretary of the Ministry of Tourism and Civil Aviation stated during evidence as follows:—

"I can only assure the Hon. Members that we are ourselves distressed at this and we know the position is not entirely happy. I agree that Indian Airlines should inform passengers in advance wherever it is possible."

6.14. The Committee were also informed that Company channels for ground-to-air and point to point communications system were being introduced in a phased programme to enable stations to maintain continuous contact with aircraft and assess well in advance the

possibility of delays in flights so that passengers could be given timely information. Televised flight information displays had also been introduced in Delhi and the facility would later be extended to other international airports.

6.15. The Committee regret to note the unsatisfactory performance of Indian Airlines regarding 'on time' operation of their scheduled services. The number of services delayed in 1971-72 for 15 minutes and above was as high as 28,824 and constituted 35.6 per cent of the total number of flights during the year. In spite of the assurances given by Indian Airlines in reply to the comments in the Committee's earlier Report on Indian Airlines in March, 1966, (23rd Report, 3rd Lok Sabha) about the large number of delays in flights, the Committee are distressed to note the lack of any improvement in the position and instead they find only a deterioration year after year and the percentage of the number of services delayed to total number of flights had increased from 17.8 in 1967-68 to 35.6 in 1971-72. Needless to point out that the travelling public are greatly harassed and inconvenienced by such delays and cancellations. The Committee have been assured both by the Indian Airlines and the Ministry that they were doing their best to ensure that delays were reduced and the travelling public were not inconvenienced.

Certain remedial measures have been taken by the Corporation like involvement of all departments, creation of a task force, improving of communication system procurement of additional equipment etc. to eliminate the delays. The Committee need hardly emphasise that air services are on the increase and therefore it is of utmost importance that 'on time' operations are ensured at this stage in the interest of building up a sound tradition. The Committee would also suggest that the Corporation should consider taking disciplinary action against persons found responsible for avoidable delays.

6.16. The Committee also desire that the passengers should be informed timely of such delays in flights and the extent thereof preferably even before they leave their residence for airport. For this purpose, the Corporation should have the telephone numbers of passengers and a record should be kept of the time and the names of persons to whom message is given. The Committee would strongly recommend that measures for keeping the passengers informed of delays at the airport should also be tightened to avoid any inconvenience to the passengers and suggest that any failure to follow the instructions issued in this regard should be strictly dealt with.

B. Catering

6.17. The Corporation has its own catering arrangements at Delhi, Bombay, Calcutta and Madras. Consequent upon opening of flight kitchen at Delhi in June, 1970 and at Bombay in October, 1969 by Air India, the Corporation also started uplifting of all major meals for Caravelles from Air India kitchen. However, at present the lunches and dinners at Bombay are being provided by Indian Airlines kitchens. At other stations, catering arrangements are made through Airport caterers appointed by D.G.C.A. or local hotels and restaurants on tender basis.

Meal cost

6.18. The comparative figures of the meal cost obtaining in the Corporation's kitchen at Bombay and Delhi prior to the arrangement with Chefair and the rates charged by Chefair are given below:—

	Bombay	Delhi	Chefair rates
	Rs.	Rs.	Rs.
Break-fast	4.53	3.50	3.50
Lunch	5.27	4.04	5.00
Dinner	5.28	4.06	5.00

6.19. The Committee were informed that at the time, the Corporation gave the catering contract to Chefair, the meal cost at Bombay was slightly higher than the Chefair charges. The meal cost at Delhi was much lower. As such, in the case of breakfast, Delhi's charges were accepted by Chefair and for lunch and dinner Rs. 5|-, which was slightly below Bombay's meal cost, was accepted.

6.20. There was however large increase in meal cost in the Corporation's kitchen both in Bombay and Delhi region after the Corporation started uplifting the meals from Air India's kitchen. The following table shows the cost of meals in 1970-71:

	Bombay	Delhi
	Rs.	Rs.
Breakfast	6.09	4.59
Lunch	7.13	5.43
Dinner	6.21	4.35

6.21. One of the reasons for increase in cost of meals was the increase in labour cost. The table given below indicates the element of labour cost per dinner/lunch in the Corporation's own kitchen prior to and after upliftment of meals from Air India kitchen at Bombay and Delhi:—

Month	BOMBAY			DELHI		
	No. of lunches/ dinner		Element of labour cost per lunch	Element of labour cost per dinner	Total No. of lunches and dinner	Element of labour cost per lunch/ dinner
	Lunches	Dinner	Rs.	Rs.	Rs.	Rs.
March, 1970 (prior)	5,613	3,544	0.83	1.32	31,318	0.87
August, 1970	946	1,079	6.07	5.32	19,791	1.41
September, 1970	970	704	6.35	8.74	10,575	1.98

NOTES—1. Labour cost separately for lunch and dinner in respect of Delhi Region is not available (April, 1971).

2. The data for Delhi Region is for the quarters ending March, June and September, 1970.

6.22. The Management, in April 1971, explained that there was no surplus permanent staff at Delhi. The only difference made after uplifting the meals from Air India kitchen was reduction in the employment of casual loaders and cleaners. As for Bombay, as a result of uplifting meals from India kitchens, 3 cook and 3 cook helpers became surplus who are being used in the catering side as leave reserves and as step-gap arrangement for night off and substitute off.

6.23. As regards the surplus staff resulting from handing over a part of the work load and increase in the labour cost, the Ministry informed Audit in October, 1971 as follows:—

- (i) It was expected that the staff rendered surplus would be absorbed by Chefair. This was not found possible.
- (ii) Some of the staff rendered surplus was absorbed in providing cabin service facilities.
- (iii) It was also considered desirable to retain kitchen establishment of our own to provide snacks and beverages in addition to some meals for some flights and also for emergencies.

- (iv) The policy of retention of staff consistent with the quantum of work load had to be modified to accommodate certain grievances of staff and also to provide avenues for promotion to staff. This has resulted in the reduction of overall work load and increase in direct labour cost.
- (v) As a result of the agreement with ACEU to have balanced shifts, the rostered strength had to be maintained even though staff were not required in certain shifts.
- (vi) The three cooks and three cook helpers earlier declared surplus were subsequently utilised in Bombay Region since the kitchen is now preparing certain additional meals.

6.24. The Committee enquired the reasons for increase in labour cost. They were informed that as a result of handing over the catering arrangements to Chefair the labour cost for lunch and dinner in Indian Airlines kitchen went up because of the reduced workload in Indian Airlines kitchens. The increased labour cost was also due to various other reasons *e.g.*:—

- (i) Management's agreement with A.C.E.U. to have balance shifts as a result of which even though the staff was not required in a certain shift, the rostered strength had to be maintained.
- (ii) The staff had to be available to attend services delayed due to dislocation, bad weather, etc.
- (iii) Promotional avenues had to be provided to staff.

6.25. In Delhi Region, the only reduction in staff consequent to handing over the catering arrangements to Chefair was in respect of casual cleaners. As for Bombay, three cook-helpers who were rendered surplus were now being used as leave reserve and as stop gap arrangement for night off and substitute off. The staff was now being used for preparation of lunch and dinner.

6.26. The Committee were also informed that with the introduction of larger type of aircraft the labour employed in the Catering Section was not adequate to meet the requirements. Regions had been asking for additional staff. This was under consideration.

There were plans to introduce snacks boxes on the flights on sectors where a full meal could not be served even though the timings of the flight fall during the conventional meal time. As a

result of this decision also, the Corporation's kitchen production would go up, and consequently the staff requirement.

Comparative analysis of meal cost

6.27. The table below indicates the cost per meal region-wise in the Corporations kitchens in 1969-70:

(in Rupees)

Region	Breakfast	Lunch	Dinner
Bombay	4.53	5.27	5.28
Delhi	3.50	4.04	4.06
Calcutta	6.95	8.15	8.15
Madras	3.82	4.46	4.45

6.28. An analysis of cost per meal indicating the direct material, labour and overheads was made by Audit for the 3 years ending 31st March, 1970. According to this analysis, the following facts emerged:—

- (a) All the elements of cost viz., the direct material cost, direct labour cost and overheads per meal were the highest in Calcutta Region during 1967-68 to 1969-70.
- (b) Again all the elements of cost in Calcutta Region in respect of all the items except heavy snacks showed a steep rise in 1967-68 to 1969-70 over the data for 1966-67, while the increase in the various elements of cost in other Regions was negligible or even in certain cases it was lower than the 1966-67 cost. The increase in direct labour cost and overhead charges at Calcutta base could be attributed to the reduction in the work load, but the phenomenal increase in the direct material cost per meal does not seem to have been investigated. The Management stated in November, 1970 that the higher meal cost at Calcutta was due to various labour problems, overheads, etc. and that they were trying to reduce the cost.
- (c) Notwithstanding the reduced work load during 1967-68 to 1969-70 at Calcutta base, the quantum of overtime increased very much over the figures for 1966-67 owing to absen-

teism and non-rationalisation of shifts and duties, as per details given below:—

Year	Amount of overtime (Rs. in lakhs)	Overtime hours
1966-67	1.30	57358
1967-68	2.75	94054
1968-69	3.04	111321
1969-70	3.77	132461

6.29. As regards the reasons for the increase in meal cost in Calcutta region, the Ministry informed in October, 1971 as follows:—

“The unusual increase in labour cost of Calcutta Region is due to various factors such as political situation, labour unrest, etc. We are, however, exercising every possible control. Labour unrest had also an impact on the general working of the Section including the material used in the preparation of meals. The net result was that the meal cost went up..... We are, however, trying to bring about whatever improvements are possible.”

The Committee also enquired during evidence whether or not the kitchen at Calcutta was running for the last one or two years. The representative of the Indian Airlines stated that “it is running but we had a lot of labour problems because of the general labour problems in Calcutta. We were getting some meals from the kitchen and also some meals from outside. What we get from the kitchen, is basically for ‘light refreshments.’”

6.30. The Committee enquired the cost per meal for the year 1970-71 in each region. They were informed that the position in this regard was as follows:—

	Breakfast/Lunch/Dinner		
	Rs.	Rs.	Rs.
Bombay	6.09	7.13	6.21
Delhi	4.59	5.43	4.35
Calcutta	6.96	8.03	8.15
Madras	4.20	4.96	5.46

6.31. Asked whether the Management analysed periodically the meal cost and whether the periodicity and frequency enabled the top management to take corrective action at the appropriate time, the Committee were informed that the meal cost analysis statement was prepared quarterly. These statements were submitted to the Finance Department, Manager Customer Service at Headquarters, Regional Directors, Commercial Managers, Senior Catering Officers, F.A. & C.A.Os of other Regions. It was possible to take corrective action.

6.32. The Committee also pointed out during evidence that, on some of the sectors, like Bombay to Bhavnagar, Jamnagar, Kandla, the type of food served was not satisfactory. The representative of the Corporation stated as follows:—

“On the question of Canteen facilities we have taken it up with the Government. There is tremendous resistance on the part of restaurants or hotels to run their canteens at small places. We have suggested that in agreeing to a contract for a larger place, it should be tied up with a smaller place so that there will be reasonably good standard. We are very much distressed about these things. But these are the constraints with which we have to function.”

6.33. The Secretary of the Ministry however informed the Committee in this regard as follows:—

“In 1954, and again in 1957, this question of linking good, big places with a smaller place, so that there may be reasonably good catering arrangements all over, was examined; and the idea was that a caterer who was functioning at a good airport, should be persuaded to take on a smaller airport. But this did not work satisfactorily, at all. Recently, I had a long discussion with Indian Airlines and we suggested to them that where, for some reasons, the DGCA could not obtain a good caterer by the usual tender system at these places, the Indian Airlines might themselves consider opening tea stalls where sandwiches, cold drinks, etc. also would be available. The DGCA would provide accommodation; and we would provide furniture. This is to be done in places where we could not obtain a good caterer. Unfortunately that has not yet been implemented by Indian Airlines.”

6.34. From the information furnished by the Indian Airlines subsequently it was noticed that the Joint Secretary of the Ministry of Tourism and Civil Aviation had in this connection written a D.O. letter to the Assistant General Manager of Indian Airlines on 23rd December, 1971, stating as follows:—

“The matter has been considered carefully. It is not expected that the Indian Airlines should make any heavy investment in making the Catering arrangements at three or four aerodromes. The intention is that only refreshments, such as

tea, coffee, cold drinks, biscuits etc. should be provided. Such arrangements will require only very limited expenditure and there should be no ground to anticipate that the Corporation will suffer losses on these arrangements. Even conceding that the Corporation do not earn profits, losses if any would be insignificant; at the outside a few thousand rupees only. Keeping in view the limited investment involved, a corporation of the size of Indian Airlines should not feel shy and worry about small and limited financial risks. I shall be grateful if catering arrangements are made without any further delay."

6.35. However, the Managing Director of Indian Airlines informed the Ministry of Tourism and Civil Aviation on 29th September, 1972 as follows:—

"I must apologise for the fact that we have taken a considerable time to ponder over this issue both at this Headquarters and in the discussions with the regional and station authorities.

The conclusion we have arrived at is much the same as stated in earlier correspondence on the subject. The proposal to start canteens at small airports is not advisable in that the staff who are initially employed to run these canteens will eventually have to be taken on to our permanent cadre. Secondly, although the intention is to provide "tea coffee, biscuits" kind of service, once passengers get to know that Indian Airlines itself is running the canteens, there will be a heavy demand from them for a wider range of refreshments and snacks.

We feel that catering and airport restaurants are essentially the field of the ITDC who have agreed to take over restaurants at some of the major airports. Since Air India is also in the hotel trade and has taken over the restaurant at Bombay Airport, they may also be given the additional responsibility of looking after a few minor airports. I am afraid, Indian Airlines will not be able to undertake this project."

6.36. The Committee need hardly emphasise the desirability of making suitable arrangements for the supply of good quality food both at the airport restaurants and in the aircraft. In order to improve the catering arrangements at small airports, the Ministry had suggested to Indian Airlines as early as December, 1971 that at

places where the good caterers were not forthcoming, the Corporation should open their own stalls so that refreshments such as tea, coffee, cold drinks, biscuits etc. could be provided and a Corporation of the size of the Indian Airlines should not feel shy and worried about the small and limited financial risks. The Committee note that this suggestion of Government was, however, not accepted by the Indian Airlines; instead the Corporation suggested that since Air India was also in the hotel trade and had taken over the restaurant at Bombay Airport, the Air India might be given the additional responsibility for looking after a few minor airports. The Committee would urge that the Corporation should ensure that satisfactory arrangements are made at all airports for supply of tea, coffee, cold drinks, snacks etc. to the passengers at reasonable rates whatever be the agency through which such facilities are provided.

6.37. The Committee also find that there has been large increase in the cost of meals in the Corporation's kitchens at Bombay and Delhi after the Corporation started lifting of meals for Caravelles from Air India's kitchens at these places. One of the main reasons for the increase had been the large increase in the element of labour because of reduced work-load in these kitchens. The Committee desire that a careful review should be made of the workload in the Corporation's kitchens at these places and the staff employed should be consistent with the quantum of workload. The surplus staff if any should be suitably employed on other jobs. In the alternative the lifting of the meals from the Chefair of Air India should be only to the extent the Corporation's own kitchens were not able to cope with the requirements.

6.38. The Committee feel that in the interest of economy, there should be full coordination between Indian Airlines and Air India in the matter of catering and deployment of surplus staff of Indian Airlines. The Committee strongly urge that both the Indian Airlines and Air India should conduct a surprise check periodically to ensure that the standard of catering arrangements is good and the food served is hygienic and well-balanced.

6.39. The Committee also find that the cost of meals in the Corporation's kitchen at Calcutta was the highest as compared to the kitchens at Bombay, Delhi and Madras. As stated during the evidence one of the reasons for the high cost of meals in Calcutta appears to be that the Corporation was getting from the Calcutta kitchen only 'light refreshments' and meals are generally obtained from outside. The Committee desire that the reasons for the cost of meals in the Corporation's kitchen at Calcutta being the highest should be investigated and remedial measures taken to reduce the cost. The Committee suggest that there should be a periodical review of the

cost of supplies from the Indian Airlines kitchen by a Committee of Experts so that the cost can be kept under control.

C. Delay in printing of winter and summer schedules

6.40. The Corporation prepared till January, 1972, two Time Schedules every year for summer and winter effective from April and November respectively. The printed booklets were mainly meant for International Airlines, Tourist Centres (inland and foreign), Agents, Stations, etc. and the circulation thereof took normally three to four weeks time. It was noticed in audit that there was delay in delivering these booklets to concerned parties. The table below indicates the extent of delay in the delivery of these publications:—

Particulars	Amount	Effective date	Delivery	Delay in terms of days
	₹s.			
1. Miniature Time Table	8,225	15-4-1968	1st week of June, 1968	46
2. Booklet-Dollar Tariff	22,000	15-4-1968	11-16-68	58
3. Booklet-Rupee Tariff	31,047	15-4-1968	20-5-1968	36
4. Booklet-Rupee Tariff	53,410	11-11-1968	1-12-1968	41
5. Booklet-Dollar Tariff	40,483	11-11-1968	1st week of Jan, 1969	54
6. Booklet-Rupee Tariff	64,188	15-4-1969	7-6-1969	54
7. (a) Booklet-Dollar Tariff	42,227	15-4-1969	28-5-1969	43
(b) Miniature Time Table	17,275	15-4-1969	30-6-1969	76
8. Booklet-Rupee Tariff	57,450	1-4-1970	17-5-1970	47
9. Schedule with dollar tariff	21,780	1-10-1972	30-10-1972/ 15-11-1972	45
10. Schedule with rupee tariff	42,200	1-10-1972	30-10-1972/ 15-11-1972	45

6.41. The Management informed Audit in November, 1970 as follows:—

“The delays in printing of winter and summer schedules are due to frequent revision of schedules due to operational difficulties. We are conscious of the fact that time tables should reach in the hands of the passengers and international bodies well ahead but at times it becomes difficult to achieve the objective because of the reasons stated above.”

6.42. The Committee enquired the reasons for the delay in printing and delivery of the schedules. They were informed that the delay in the production was not on account of any delay on the part of the advertising agency or at the printer's establishment, but because of the all too frequent changes in the planned schedule. Every change in the schedule meant the commencement of the job from the beginning and thereby the delivery date becomes as many days/weeks after the date of change as indicated above.

6.43. Asked about the steps taken to ensure timely printing and delivery of these schedules, the Committee were informed that it had now been decided that the schedules of Indian Airlines should not be changed very often unless found to be absolutely essential due to operational reasons. If any minor changes were required these would be held in abeyance until the next major change was programmed. It had been decided to prepare only one major schedule with effect from January, 1972.

6.44. A scheduling committee had been formed in Headquarters with the Director of Planning as its Chairman. The Committee had been charged with the responsibility of arriving at an agreed schedule at least three months ahead of its effective date. Thereafter no changes would be accepted. These steps were expected to provide adequate time for the time tables to be printed and distributed so that they were in the hands of the ultimate recipients well ahead of the date on which they become effective.

6.45 The Committee regret to note that there had been inordinate delay in printing and delivery of the time and tariff schedules of Indian Airlines defeating the very objective of their publication and thus causing inconvenience to the public. Instead of being available to the persons concerned well ahead of the date on which they were to become effective, there was delay in delivery ranging from 36 to 76 days from the effective date. The Committee are surprised that the schedules with tariff were not even printed during 1971. The Committee note that recently a scheduling committee had been formed in Headquarters of the Corporation for preparation of an agreed schedule at least three months ahead of its effective date and least number of changes would be made in the schedule. The Committee hope that the steps recently taken by the Corporation would enable timely publication and ensure delivery of 'time and tariff schedules' much ahead of the effective date.

D. Surface transport for passengers

6.46. The table given below indicates the total cost of the surface transport, total cost of hiring of coaches/taxis, total cost of surface transport apportioned on the basis of R.T.Km. on passengers and Charters to the total R.T.Km., number of passengers flown and cost per passenger:—

Year	Total cost of surface transport excluding hiring	Total cost of hiring of taxis, coaches, etc.	Total cost of surface transport based on R.T. Km. on passenger and Charters to total R.T. Km.	No. of passengers flown (Revenue)	Cost per passenger
1966-67	75,32,743	2,74,372	64,01,834 (82%)	14,09,503	4.54
1967-68	85,33,767	3,01,394	72,44,832 (82%)	16,57,671	4.37
1968-69	94,29,303	3,91,367	81,51,156 (83%)	19,59,417	4.16
1969-70	110,67,281	5,49,714	97,58,276 (84%)	22,48,177	4.34
1970-71	126,83,012	6,46,809	107,55,194	21,60,760	4.98
1971-72	149,13,231	5,44,733	136,18,466	23,82,465	5.72

6.47. In January, 1969 it was decided by the General Manager of the Corporation that the economics of the proposals for levying some charges for the carriage of passengers between City Booking Offices/Airports and *vice versa* should be examined. The study was actually started in May, 1969 and completed in December, 1970. The Scheme was finally introduced from 1st April, 1972.

6.48. The Committee enquired the reasons for the delay in making studies and in the introduction of the scheme. They were informed that this study involved collection of physical data *vis-a-vis* occupancy rate of Coaches, change in Road Tax structure permits, State Transport Motor Vehicles Rules and numerous other details for the completion of this study. Though the study of the economics of introducing Surface Transport Charge was completed in December, 1970, the implementation of this Scheme was kept in abeyance till 15th of January, 1972 for the following reasons:—

- (i) Management's proposal for increase in Air fares was pending with the Government and it was not considered desirable to introduce the Surface Transport Charge at that time.

- (ii) Even though the economics of introducing this scheme were worked out, it took time to introduce the same, pending finalisation of procedure best suited for a smooth introduction and subsequent implementation.

6.49. Though it was planned to introduce this scheme with effect from 15th January, 1972, the same had to be postponed due to non-signing of an Agreement by A.C.E.U. representing workmen connected with this Scheme. This agreement was subsequently concluded in March, 1972 and the Scheme was finally introduced from 1st of April, 1972.

6.50. It was noticed that the total cost of providing transport to the passengers amounted to Rs. 45 lakhs in 1971-72. As against this, the revenue realised from passengers from April to December, 1972 was on an average about Rs. 2.30 per month.

6.51. Asked whether the capacity of transport vehicles was being fully utilised, the Committee were informed that the occupancy rate of the Coaches had reduced to a considerable extent due to passengers resorting to alternate means of transport. The average occupancy was only about 25 per cent of the seating capacity which was 30 seats per coach. To overcome this tendency, better coaches were being introduced and some publicity in highlighting the benefits of travel by Indian Airlines Coaches was being made.

6.52. The Committee note with deep regret that it took the Corporation about two years to complete the study of the economics of the proposal to levy the charges for the carriage of the passengers between city booking offices and Airports and vice versa, after the decision of the General Manager of the Corporation in this regard as early as in January, 1969. Even after completion of the study, it took the Corporation another 16 months to actually introduce the scheme. In the meantime the Corporation suffered a loss of revenue of the order of Rs. 2.30 lakhs per month. The fact that it took the Corporation/Government more than 3 years to study and introduce a proposal for augmenting their revenue is not a happy reflection on the working of a commercial organisation like Indian Airlines.

6.53. The Committee also find that the present occupancy ratio of the passenger coaches was only 25 per cent of the seating capacity due to passengers resorting to alternate means of transport. The Committee urge that the reasons for such low occupancy ratio be carefully examined and immediate measures taken to improve it. In this connection, the Committee would suggest that the Corporation should also examine the desirability of reducing the charges per passenger and introduction of coaches with better amenities with a

improving the occupancy ratio and thereby increasing the overall revenue earned from these coaches.

6.54. The Committee would also suggest that a detailed analysis should be made of the cost of operations of surface transport with a view to economising expenses on fuel, maintenance etc, so that expenditure incurred on surface transport is kept as low as possible.

E. Other passenger amenities

6.55. The Indian Institute of Management, Ahmedabad undertook a study of the consumer image of the Indian Airlines during December, 1970. The Report *inter alia* mentioned the following:—

“The consumer evaluation of services shows that the worst services are explanation for flight delays, baggage clearance, telephone information system for flight delays, response to telephone enquiry, onward reservation system reading materials provided on board, and facilities for transit passengers in that order. Among the rest of the services only coach service, interior decoration of aircraft, and sitting facilities on board have been perceived as positive. The rest of the services studied, though negative, do not seem to be performing too badly. Therefore, Indian Airlines needs to give immediate attention to the seven services which are perceived as poor.

An examination of these services indicates that all of them are fairly controllable services and there can be improvement in the working efficiency of the staff, by inculcating in them a sense of better customer relations, and by improving simple things like provision of better reading materials on board and improved facilities for transit passengers. In fact, many of these improvements can be brought about by simple emphasis on customer service through training of the ground staff.”

6.56. In this connection, the Corporation informed the Committee that the survey was conducted in December, 1970 when the flights of Indian Airlines were totally disrupted due to the Industrial dispute and the Indian Commercial Pilots Association objecting to the performance of HS-748. Secondly the survey was conducted only at Ahmedabad and could not be considered as representative of a cross section of public attitudes. The Committee were however, informed that “the subjective impressions of the travelling public have been noted and corrective action is being taken. Emphasis is being laid

on punctuality of operations and total involvement of the staff towards satisfying the needs of the travelling public. Furthermore, the areas in which Indian Airlines have been shown in bad light are being tackled on top priority basis. These are, response to telephone enquiry, onward reservation system telephone information system and explanation for flight delays, baggage clearance service, facilities for transiting passengers, co-ordination between city office and Airport and communication between various Booking Offices. It may be seen that most of these categories are based on good communications facilities or electro-mechanical devices, both of which are inadequate at the moment. Efforts are being made with the Posts and Telegraphs Department to provide telephones, Teleprinter lines, facilities for computerised Real Time Reservation System, etc. Similarly, the International Airport Authority of India and Director General of Civil Aviation are being persuaded to provide mechanical baggage handling facilities at airports, which are now available only at Delhi and Bombay."

6.57. The Committee were also informed that because the Corporation had been unable to achieve a Commercial level of profits (due to under provisioning of capacity, operations with obsolete aircraft, low level of fares and high fuel costs) the Corporation could not obtain the supporting facilities which are essential for the efficient running of an airline. For example, several booking offices of LA. were still the same as at the time of nationalisation, facilities for the handling of passengers, baggage and cargo at most of the airports (such as motorised step ladders, conveyer belts, flight information display boards and public announcement systems and ware-houses) were inadequate or non-existent. Even surface transport had suffered in as much as the Corporation had been unable to replace its passenger coaches as and when it has felt it necessary to do so.

6.58. The Committee, were also informed that the following steps have been taken by the Management to improve the facilities to the passengers:—

1. Passenger reservations were being progressively computerised and 1800 staff of Indian Airlines, 900 staff of Agents had been given training in AIRIMP in handling of reservations at the different regions.
2. The services of the BOAC consultancy Group were obtained under the United Nations Development Programme to study the feasibility of installing a Real Time Computerised Passenger Reservation System. Their Report had been received and they had stated that without Real Time Reservation System, it would virtually be impossible for Indian Air-

lines to handle their passenger bookings in future years. Studies in this regard had already been started and they hoped to be able to report substantial progress next year.

3. A task force was set up at Bombay and Delhi to modernise, renovate and improve the working system at the booking offices and airports. A task force was being planned to be set up at Calcutta for the same purpose. To improve communication facilities, some more stations had been linked with teleprinter channels and teleprinters had also been installed at the four major airports. More telephones had been provided at the Enquiry Counters and at the Booking Offices.
4. Ramp and baggage handling were being progressively mechanised throughout the network with the introduction of mechanised step-ladders, baggage trolleys and conveyor belts.
5. Televised flight information displays had been introduced in Delhi and the facility will later be extended to other international airports.
6. Company channels for ground-to-air and point to point communications systems were being introduced in a phased programme to enable stations to maintain continuous contact with aircraft and assess well in advance the possibility of delays to flights so that passengers could be given timely information.
7. The fleet of passenger coaches was being renewed and modernised.

6.59. The Committee note that the Indian Airlines had already obtained the services of the BOAC Consultancy Group under the United Nations programme to study the feasibility of installing a real time computerised passenger reservation system and studies in this regard had been started with the increase in the passenger traffic. The Committee hope that Indian Airlines would take advantage of this study and introduce, as early as possible, the system of real time computerised passenger reservation to cope with the increased passenger traffic.

6.60. The Committee also note that the Indian Airlines are already examining the possibility of having certain electric/mechanical aids and equipments to bring about improvement in baggages and cargo handling. The Committee would strongly urge that in order to

cater to the rapidly growing traffic and to provide quicker and better facilities, the Indian Airlines should finalise their studies in this regard and introduce facilities without delay to improve the baggage clearance system and to cut down the time-taken in booking and release of the passenger baggage. The Committee hope that the various measures introduced or steps proposed to be taken would help in improving the services provided to the passengers. Committee need hardly emphasise that the image of the Indian Airlines depends on its personality perceptions of its consumers and the efficiency in the services offered. The Committee, therefore, desire that the Corporation should always ensure that the various amenities provided by it to the passengers are to their satisfaction so as to raise its image in the eyes of the travelling public.

VII

ENGINEERING AND AIRCRAFT MAINTENANCE

A. Introduction

7.1. The Engineering Department is responsible for the maintenance of all the aircraft in its fleet in a continuous state of airworthiness by a system of preventive and corrective maintenance to secure a high level of safety.

7.2. The Region-wise distribution of fleet and the responsibility of each Region to undertake the work connected with overhaul, maintenance, repair and incorporation of modification on different types of aircraft is indicated below:—

Name of Region	Type of air craft
1. Calcutta .	. Fokker Friendship and Skymaster
2. Delhi	(i) Viscount (ii) Overhaul and major modification of R.R. Dart Engines fitted on F-27 and HS-748 (iii) Boeing
3. Bombay . . . . .	. Caravelle
4. Madras (Engineering base at Hyderabad)	H.S-748 and Dakota

7.3. During their visit to the Engineering Workshop at Hyderabad in July, 1972, the Committee enquired about the special advantages in locating the workshop for HS-748 aircraft at Hyderabad. They were informed that overhaul facilities for the Dakota aircraft already existed at Hyderabad. As such the same were developed to maintain and overhaul the HS-748 aircraft. At present the HS-748 aircraft were located at Bombay, Delhi and Madras and in due course these would also be located at Calcutta. As Hyderabad base was centrally located aircraft could be easily routed there for the necessary periodic inspection.

7.4. The Committee pointed out that according to Annual Report for 1970-71, a decision had been taken to set up the common facility at Bombay for the overhaul of jet engines of both Indian Airlines and Air India. Asked whether in view of the engine overhaul being taken up at Bombay it would not have been desirable to set up the entire complex at Bombay, the Indian Airlines

informed that with the introduction of Boeing 737 aircraft, Viscount fleet was planned to be phased out. Delhi had been the main base for overhaul and maintenance of Viscount aircraft. Bombay base had over 900 technical personnel to look after 7 Caravelle aircraft. In case the Boeing-737 base were located at Bombay, there would have been surplus of man-power at Delhi. On the contrary, Bombay base would have required at least 600 people. Besides the human problem of shifting about 600 staff and their families, it was a sound decision on economic consideration. The location of engine overhaul facility at the main base of the aircraft gave only a marginal advantage. There were other constraints which became the deciding factor. This was by no means peculiar to Indian Airlines. For example leading airlines like Air France and Scandnavian Airlines system had their engine overhaul facility at different locations from the main base.

B. Workshops Performance

7.5. In the case of Indian Airlines workshops, there is no mention in the Engineering Manual about the capacity of each workshop. The production targets are prepared in the form of work load for different workshops in different Regions based on the programme of annual utilisation of the aircraft.

7.6. The work load targets as laid down in respect of major jobs on the above basis and the actual work carried out during the last six years upto 1971-72 are given in Appendix IX. It indicates that there were wide variations in certain cases.

7.7. The Management informed Audit in April, 1970 that the reasons for variation between the targets and actual jobs undertaken may be attributed to the following:—

“(a) For Mandatory and other modifications, service Bulletins are issued by the Manufacturers from time to time. Compliance of these modifications and instructions, therefore, affects the budget estimates.

(b) Premature failures and consequent removal of components which cannot be envisaged with accuracy.”

7.8. The Committee enquired whether the modification and instructions issued by the manufacturers from time to time were not taken into account at the time of framing workload targets. They were informed that the modifications, service bulletins, etc. were issued by manufacturers, DGCA, according to the experience gained in the operations for a particular type of aircraft. This was a continuous process and it was not possible to envisage the quantum of

workload due to the modifications which might be issued by the manufacturers.

7.9. An analysis of the performance of Calcutta workshop indicated that the work load at this Shop had steeply dwindled in 1969-70 as compared with the earlier years, mainly because of phasing out of Dakotas and Skymasters. The analysis further revealed that since 1968-69 a major portion of the workload related to outside parties.

7.10. The Corporation informed Audit in October, 1971 that "now we contemplate setting up the facility of A.P.U. overhaul of Boeing 737 at Calcutta whereby the engine shop will take up some additional work-load".

7.11. As regards the steps taken to ensure the full utilisation of the workshop capacity at Calcutta, the Committee were informed that the workload of engine overhaul shop, Calcutta during 1970-71 and 1971-72 was as follows:—

	1970-71		1971-72	
	Overhaul	Rectification	Overhaul	Rectification
Engine P & W R—1830	19	8	13	4
Engine P. & W R. 2000 7M2	20	..	22	..

7.12. The facility for APU overhaul was expected to go into commission in December, 1972. According to a survey made in the year 1970-71, there was a surplus of 22 persons in the engine overhaul shop. The task for the APU overhaul will absorb approximately 10 persons. The remaining spare capacity will be utilised by taking more outside party work. Apart from private operator more work was expected from Bangladesh Biman. They were also in process of finalising operation of HS-748 aircraft from Calcutta.

7.13. The Committee enquired as to how in the absence of the capacity of the workshops, being known, the Corporation ensured that the facilities provided in the workshops were being fully utilised. They were informed that the norms for all maintenance checks overhaul of major components etc. had been determined. Taking the various norms for each workshop, the expected capacity and work out-turn was determined. Before the commencement of each financial year the utilisation expected from each type of aircraft

was decided. The production planning cell then worked out the number of checks, overhauls that would be required to be carried out by each Base workshop. This work was then indicated and the shops were suitably loaded to ensure continuous work and full utilisation of all manpower available.

7.14. As regards the reasons for shortfall in achieving the targets in several cases, it was explained that main reasons for the variations were (1) fluctuations in the utilisation of the particular type of fleet for various reasons: (2) variations due to life developments of major components/checks etc. The utilisation targeted had, however, always been fully met by the Engineering activity.

7.15. The specific reasons for variations between the targets and the achievements during 1969-70 to 1971-72 were stated to be as follows:—

1969-70

- (i) The targets in terms of flying hours during the year 1969-70 were generally achieved. Slight variations were due to the loss of one F-27 aircraft and accident to one of the HS-748 aircraft.
- (ii) Apart from the number of checks III and Checks IV as shown in the Appendix there were three more "12000 hours inspections" carried out on F-27 aircraft. The quantum of work in 12000 hours Inspection is enormous as compared to Check IV Inspection.

1970-71

- (i) The variations were generally due to the low utilisation of all types of aircraft during this period because of continuous industrial unrest and ultimate declaration of lock-out in the month of March, 1971.
- (ii) Further, the shortfall in respect of HS-748 aircraft was due the reluctance on the part of the Pilots to fly this aircraft.

1971-72

During this period, the targets were generally met.

7.16. The Committee find that the workshops of Indian Airlines fix annual production targets based on the programme of annual utilisation of the aircraft. The capacity of each workshop has however not been determined. The Committee feel that in order to ensure that the facilities provided in the workshops were being fully utilized, it is

essential to determine the capacity of each workshop on the basis of men and machines in position and the norms evolved for the various types of jobs including periodical checks and running repairs. This would also enable the Corporation in long term planning for proper utilisation of spare capacity in each workshop on the basis of estimated quantum of workload.

C. Overhauling of Skymaster

7.17. It was noticed in audit that, although no targets had been fixed for Check IV Inspection of Skymaster during 1969-70, one overhaul (Check IV Inspection) was conducted in Calcutta workshop during February, 1969 to April/July, 1969 at a cost of Rs. 1.26 lakhs (approximately). According to Audit there was hardly any justification for undertaking this inspection as the aircraft had already been grounded in November, 1968 and kept for disposal on "as is where is" basis. In this connection, the Calcutta office of the Corporation where Check IV Inspection was conducted, observed in February, 1971 as follows:—

"Skymaster aircraft VT-CZW was grounded on 8-11-68 after its flight for the day. Its C of A was scheduled to expire on 2-2-1969. Certificate of Airworthiness (C of A) is essential for any aircraft to operate schedule or hire and reward flights. Since the formality of the disposal deal with the outside party was not known even upto 30-10-1969, the aircraft could not be kept waiting for renewal of C of A till end of February, 1969. To meet the DGGA requirements it was essential to carry out the Check IV Inspection."

7.18. The Committee enquired the reasons for carrying out overhauling of a skymaster during 1969-70 although the aircraft had already been grounded and kept for disposal on "as is where is" basis. They were informed that this overhauling (Check IV inspection) was undertaken in April, 1969. At that time the negotiations were going on with various parties and no final decision had been reached. It was being used as a standby and it could also have been required to do charter service at any time. However, it would not be of any use unless it was made airworthy by undertaking this Check IV Inspection. D.G.C.A's requirement was that Check IV inspection should be carried out so that it should have a certificate of Air worthiness. Till it was disposed of it could be used for charter service or as a standby for the Port Blair operation. Besides, it was felt that it would be possible to get a better price efor it after carrying out this Check IV Inspection. Subsequently, the sale was

effected with one M/s. Jamair Company sometime in September or October, 1969 and the price paid was Rs. 14.50 lakhs as a package deal for this aircraft as well as for two other aircraft and the connected spares. Had this Check IV Inspection not been carried out, the price would have been something like Rs. 12 lakhs. This was, in the judgment of the Corporation a sort of investment to get the better price for it.

7.19. The Committee, however, found from a written reply furnished by the Corporation that a Spanish party M/s. Trans Europa Airways offered on 19th February, 1969 a price of \$ 2.52 lakhs (Rs. 18.90 lakhs) less 5 per cent commission (net Rs. 17.96 lakhs) for this aircraft. The deal with M/s. Trans Europa however, did not materialise mainly because of the failure of the party to furnish satisfactory bank insurance guarantee for payment in instalments to the satisfaction of the Indian Airlines although considerably long time was offered to them even after the receipt of local tender from M/s. Jamair & Co. in August, 1969. The price realised from M/s. Jamair & Co. after carrying out check IV inspection of the aircraft was only Rs. 14.50 lakhs as package deal for this aircraft as well as for the other aircraft and the connected spares. The aircraft was also never actually put on any commercial operations after overhauling (Check IV Inspection).

7.20. The Committee regret to note that even after the Check IV inspection was carried out for making it airworthy, the aircraft was never put on commercial operation nor the price realised proved to be better. The Committee are therefore, constrained to observe that the expenditure incurred on overhauling was avoidable.

D. Productivity of workshop staff

7.21. In 1964, the Engineering staff Assessment Committee of the Corporation fixed, on the basis of the average performance for the 3 preceding years, norms for man hours required for various checks/overhauls of air-frames, engines and propellers of each type of aircraft. A Committee was appointed to review the working of these norms and to recommend the modifications or changes in the light of the existing work load. The Committee in its report dated 1st January, 1969 fixed the revised norms and also stated that the increases in actual man hours over the norms were mainly due to the following reasons:—

- (a) Labour mal-practice-overtime of complete shift even if the need is for less time.

- (b) Low productivity per man which was roughly assessed at 50 per cent for aircraft overhaul in all basis except Calcutta where it was estimated at 40 per cent.
- (c) Lot of un-anticipated absenteeism which adversely affect production as continuity of jobs (especially in the overhaul shops) is not maintained.
- (d) The attitude of workers not to undertake another item of work after finishing one assignment during the day.
- (e) Some increase in man hours due to ageing of aircraft.
- (f) Some increase in man hours due to increase in the quantum of Inspection Schedules.

7.22. The Committee also made the following recommendations:—

“The Committee feels that unless effective steps are taken to eradicate or considerably reduce the present mal-practices and deficiencies (quite a few of which are common to all Departments of the Airlines) and to inculcate discipline in the Organisation, the spiral of rising man hours will continue.

It is true that there has been a little increase in the quantum of work in certain respects but not to the extent to justify the actuals. However, taking all the aspects into consideration, the Committee feels that an increase in all the norms by 15 per cent will be more realistic.”

7.23. A review of the actual performance with reference to the norms fixed in 1964 and those revised in January, 1969 for the 5 years ending 1970-71 is contained in Appendix X. The view indicates that the actual man hours booked on various jobs exceeded the revised norms by 6 per cent to 365 per cent. The additional cost of extra man hours consumed (excluding overheads) over the revised norms worked out to Rs. 52.80 lakhs during the years 1966-67 to 1969-70. While it was stated by the Management in April, 1970 that the norms fixed in 1969 are being carefully examined in the light of discussions with the various unions and associations of the employees, in November, 1970 the wide disparity in actual man hours and revised norms was explained as follows:—

“We are of the opinion that increase in man-hours is due to our defective job costing system e.g. we find that apart from the major work being carried out on the aircraft

like Check III, Check IV, 12000 hours inspection etc., there are a number of additional jobs which have also been carried out simultaneously but these jobs, in reality, have no connection with the actual checks but they are carried out merely because it was convenient to carry out these jobs when the aircraft was grounded due to some major inspections. All the man hours booked on these jobs have been booked on the major inspections of aircraft and hence there is apparently an increase in man-hours resulting in considerable variation in the norms stipulated for scheduled check inspections. Further, all these additional work should have gone under a separate costing head as these cannot be anticipated earlier. Our job booking and costing system is being reviewed to bring a better control of booking and better method of accounting in the various man-hours."

7.24. The Ministry informed Audit in October, 1971 that "....all these points have been discussed with the Association in connection with wage negotiations and it is now felt that such practices will gradually disappear with the earnest cooperation of Association rather by paying the way for enhancing the existing low productivity"

7.25. The Committee enquired as to why the Corporation took 4 years to appoint a Committee to review the working of the norms laid down in 1964 on the basis of average performance of three preceding years and whether any attempt had been made to re-assess the norms realistically and scientifically. They were informed that in the absence of a cell to constantly review the norms, it was a practice to appoint staff assessment committee consisting of members, drawn from different departments to review and fix norms, based on the experience gained over a suitable interval. This interval should be about four to five years. The industrial engineering sections were being constituted at all bases to fix norms realistically and scientifically.

7.26. As regards the reasons advanced by the Corporation that the disparity in actual man-hours and revised norms was due to defective job costing system, the Committee enquired whether the Corporation conducted a detailed study to find out the extent to which defective booking contributed to excess man hours over the revised norms. They were informed that the Costing System in Indian Airlines was designed primarily to give an over-all cost per flying hour

and per ATKM and RTKM for each type of aircraft. It was also intended to be used for their claims for subsidy and subvention from Government and for pricing work done for other parties. It served these purposes adequately and had in fact been accepted by the Government and other authorities.

7.27. The weakness mentioned in the system was connected with their attempts to use the cost data for control over labour and material costs. Two areas needing improvement might be identified as follows:—

- (i) Cost Heads, in use at present, did not distinguish between normal overhauls and repairs of components which were often done simultaneously to a greater or lesser extent. Thus an attempt to compare two similar overhauls of the same engine or aircraft was frustrated by the fact that different amounts of expenditure on repair were involved.

The remedy was to sub-divide the cost head further. But this posed certain problems because of the greater effort required in ensuring correct booking both in the Engineering and Costing Departments.

- (ii) Booking of man-hour by the engineering staff to specific jobs or to heads like idle time, indirect or unallocated work etc. was not precise. In the absence of any incentive scheme or other control system enabling cross check, they had to depend entirely on the workmen and their superiors taking the trouble to book time correctly. In fact, the suspicion that time had not been booked correctly was based on certain broad comparison.

7.28. The Committee were informed that the Corporation was reviewing the entire system and also explaining the need for insuring accurate booking, to superiors and workmen in the basis. It was also stated that the wage negotiations had been finalised with IATA

representing the technical staff. A provision had been made for rules of productivity in this settlement to curb malpractices.

7.29. The Committee note the low productivity in the workshops of Indian Airlines. The Committee find that the norms for various jobs were fixed as early as in 1964 and were revised only in 1969. Even those revised norms were stated to be pending examination in the light of discussion with various unions and associations of employees and had not been reviewed thereafter. A review of the actual man hours booked on various jobs showed that these far exceeded the revised norms fixed in 1969 and the variations ranged from 6 per cent to 365 per cent. The additional cost of extra man hours consumed (excluding overheads) over the revised norms worked out to Rs. 52.80 lakhs during the period 1966-67 to 1969-70. The Committee also regret to note the various malpractices and deficiencies pointed out by the Norms Committee which were responsible for the increase in actual man hours over the norms. The Norms Committee pointed out in 1969 that 'unless effective steps are taken to eradicate or considerably reduce the present malpractices and deficiencies (quite a few of which are common to all Departments of the Airlines) and to inculcate discipline in the Organisation, the spiral of rising man hours will continue'. The Committee are constrained to observe that inspite of these observations of the Norms Committee, no concerted efforts have been made in this regard and there was wide disparity in the norms fixed and the actual man hours booked on various jobs in 1970-71 also.

7.30. One of the reasons advanced for such a disparity was the defective job costing system and the booking of man hours by the Engineering staff to specific jobs or to heads like idle time, indirect or unallocated work etc. being not precise. It is regrettable that the importance of correct booking of time on various jobs has not been realised so far. The Committee recommend that the entire system of costing to various jobs in the shops may be reviewed and the defects in the system of booking of time may be removed so as to ensure correct accounting of cost of various jobs. The Committee also recommend that Norms for man hours should be fixed early on a scientific basis in consultation with the workers and trade unions so as to enable a realistic comparison with the actual man hours on various jobs and effective measures introduced to reduce the time taken on various jobs where it exceeded the fixed norms.

E. Analysis of available and utilised man hours

7.31. The table below indicates the utilization of the man hours of productive staff of the corporation during the years 1966-67 to 1970-71:

	(man - hours in lakhs)				
	1966-67	1967-68	1968-69	1969-70*	1970-71
1. Normal available man-hours	71.34	74.60	76.92	65.56	75.06
2. Overtime hours	8.46	10.77	10.65	12.18	13.71
3. Total available man hours	79.80	85.37	87.57	77.74	88.77
4. Total hours booked to jobs	58.25	61.25	64.20	56.77	63.75
5. Others (Difference of 3 & 4)					
(i) Leave hours	13.75	15.25	14.84	13.83	17.07
(ii) Idle hours	0.71	0.95	0.83	0.58	1.24
(iii) Indirect and unallocated hours	6.36	7.01	6.75	5.83	6.72
(iv) Training	0.73	0.94	0.95	0.73	0.99
TOTAL	21.55	24.15	23.37	29.97	25.02
6. Percentage of productive hours to total available man hours	72.99	71.75	73.31	73.03	71.81
7. Percentage of overtime hours to total hours on jobs	14.52	17.58	16.59	21.45	21.51
8. Percentage of other man hours to total normal available hours	30.21	32.37	30.38	31.99	28.18

* Indirect and unallocated hours represent time spent on collection and checking of store spares, supervision and correspondence work, driving Engineering vehicles, other unallocated time, etc.

* Figures for 1969-70 are not comparative as these represent full year data for Delhi and Calcutta, 9 months data for Bombay, 6 months for Hyderabad and 4 months for Madras as the remaining statements were not compiled.

7.32. In this connection, the Management informed Audit in November, 1970 as follows:—

“..... We may point out that we run a four shift pattern in our Maintenance Division. The workload is heaviest during the night, during which period routine maintenance is done on aircraft night-stopping at the main bases. It will be appreciated that when the staff come for duty during the day they have to sometime await the arrival of the Aircraft from Scheduled services. This results in enforced idleness, which is inevitable.”

The Committee were also informed by Audit that a study conducted by the Management in October, 1970 indicated that the fluctuations in man hours bookings may be partly attributable to erroneous bookings. To rectify this shortcoming the Management proposed to start classes to educate the various levels of personnel and to explain the importance of this basic data for proper functioning of line and staff departments with particular reference to planning and control. No such classes had, however, been conducted.

7.33. The Ministry informed Audit in October, 1971 as follows:—

“Though no classes have been conducted for the various levels of personnel to explain the importance of the control measures like costing system, PPC, etc. the detailed note given to the bases alongwith the targets for the year 1971-72 explained the line of action they have to take on important management controls. The past performance has been indicated for their study simultaneously mentioning the points of deficiency. The note covered the controls to be exercised by the Bases on overtime and material consumption, plant down time absenteeism, control on unallocated time, etc. It also insisted that Departmental Heads should study the various cost statements brought out by the costing department and also create an internal machinery to control the expenditure on a day to day basis. This is being followed up with the bases and it is earnestly felt that it will yield some results.”

7.34. The Committee enquired the reasons for the percentage of productive hours to available hours having come down from 73.31 in 1968-69 to 17.81 in 1970-71. They were informed that due to the prevailing industrial unrest and unsatisfactory labour-management relations throughout the year 1970-71, the productivity level in this period had shown definitely downward trend. Some improvement was noticed in certain areas in 1971-72. However, in the absence of complete settlement with different trade union bodies, the improvement which could have been expected had not been achieved. The rules of Productivity formed part of the recent agreement reached between Management and different unions/associations.

7.35. As regards the reasons for increase in the percentage of overtime hours from 14.52 in 1966-67 to 21.51 in 1970-71, the Indian Airlines stated that the manpower could not be enhanced in relation to workload in certain areas. Also due to continuous industrial unrest for the total period of 1970-71 the productivity level was not

satisfactory. These two factors gave rise in percentage of overtime hours to total hours of job. Asked about the break up of overtime hours during day and night shifts it was stated that overtime hours were compiled section|department-wise and statements were prepared accordingly. The shift-wise compilation of overtime was not done and therefore, these figures were not available.

7.36. The Committee regret to note that not only the productivity of workshops was low but the available man hours were also not being fully utilised. The percentage of productive hours to total available man hours had gone down from 73.31 in 1968-69 to 71.81 in 1970-71. On the other hand the percentage of overtime hours to total hours on jobs had increased from 16.59 in 1968-69 to 21.51 in 1970-71 resulting in increased expenditure on overtime payment. The two main reasons for low productive hours were excessive leave hours and indirect and unallocated hours. The Committee, therefore, urge that strict control should be maintained on absenteeism, overtime and indirect, unallocated hours, etc. to reduce expenditure on repairs and maintenance of the aircraft. The Committee hope that appropriate steps would be taken by the Corporation to enforce the rules of productivity which formed part of the agreement reached between Management and the Union so that the level of productivity in the workshops in the different bases may be raised.

VIII

MATERIAL MANAGEMENT AND INVENTORY CONTROL

A. Introduction

8.1. The majority of stores of Indian Airlines are imported proprietary items, like aircraft, spares etc. The Corporation follows a centralised system of stores purchase. The stores departments in the Regions, however, make direct purchases of the materials which cannot be economically purchased centrally or the annual requirements of which are of nominal value or which are required on urgent basis.

B. Inventory holdings

8.2. The inventory at the end of the years 1967-68 to 1971-72 was: as indicated below:—

		(Rupees in lakhs)				
Sl. No.	Particulars	1967-68	1968-69	1969-70	1970-71	1971-72
1.	Engineering Stores Rotables	377.16	416.86	438.87	540.17	592.93
	Consumables	425.69	444.59	482.41	610.07	744.55
2.	Electrical Instruments and Radio spares	32.40	31.03			
3.	Other Engineering Stores	42.83	46.32	46.17	49.97	52.52
4.	General Tools	16.07	16.36	16.75	17.62	18.31
5.	Freight, Duty and incidentals:					
	Caravelle	64.49	61.63	57.22	49.16	50.78
	Other aircraft	60.27	69.50	67.39	64.68	82.52
	Total Engineering Spares 'A'	1018.19	1086.29	1108.81	1377.56	1586.20
6.	Motor Transport spares	16.10	17.60	16.11	15.92	13.63
7.	Misc. Stores (Cabin and Catering, Uniforms, Printing and Stationery, Link Trainers and spares, etc.)	46.58	44.95	46.18	50.70	69.53
8.	Stores Suspense	(Cr.)22.35	(Cr.)8.84	(Cr.)24.62	(Cr.)5.31	(Cr.)22.17
	TOTAL 'B'	40.33	53.71	37.67	61.31	60.99
	GRAND TOTAL (A&B)	1059.24	1140.00	1146.48	1438.87	1647.19

8.3. It would be seen from the above that the major portion of the inventory consisted of Engineering stores—Rotables and Consumables. As per provisions in the Stores Manual of the Corporation, the maximum stock level for consumables is 18 months' consumption. It would, however, be seen from the following table that stock holdings of consumables (except in the case of HS-748) were much in excess of this limit.

Stores holding of consumables in terms of months' consumption

	1967-68	1968-69	1969-70	1970-71	1971-72
Dakota .	77.8	74.9	121.1	165.2	135.1
Skymaster	130.5	137.1	..	..	..
Viscount	42.4	40.8	41.3	46.7	34.1
Fokker Friendship	37.2	29.0	32.5	45.6	57.3
Caravelle	52.6	33.1	28.6	28.8	23.6
H.S. 748	188.5	34.2	19.2	20.2	30.1
Boeing 737	..	..	..	51.5	43.1
Overall average .	52.0	40.0	37.5	45.5	37.2

Further details in this regard are given in appendix XI.

8.4. As regards rotables, the requirement of rotables was determined by means of a 'float' for each component ('float' by and large means the spare quantity of components held as 'stand by' units). The floats were required to be reviewed periodically keeping in view the fleet strength, route pattern, life development of the rotables and utilisation of the aircraft, etc. No such review had, however, been conducted by the Corporation. It was, also noticed in Audit that in notwithstanding the fact that Dakotas were being phased out, stores holdings of Dakotas rotables increased from Rs. 36 lakhs in 1966-67 to Rs. 58.42 lakhs in 1967-68 and stood at Rs. 54.92 lakhs as on 31st March, 1960 and at Rs. 56.16 lakhs as on 31st March, 1970. The phenomenal increase in Dakotas rotables in 1967-68 was stated to be mainly due to purchase of Dakotas engine spares of the value of Rs. 32 lakhs in the Calcutta Region for outside party (Royal Nepal Airlines Corporation) jobs.

Slow moving/surplus stores

8.5. The table below indicates the aircraft-wise stores holdings of the Corporation and the position of slow moving and surplus items as on 31st March, 1972.

(Rs. in lakhs)

Aircraft	Stores holdings 31-3-72	% of stores holdings to the Gross Block 31-3-72	Slow moving/ non-moving stores 31-3-72	Surplus out of slow moving/ non-moving stores 31-3-72	Remarks
1	2	3	4	5	6
Boeing	320.74	12.4	..	..	..
Caravelle	365.36	20.5	56.03	18.53	No fresh review of non-moving items was carried out after December, 1969.
Viscount	235.77	42.1	58.69	45.00	The Viscount aircraft are to be phased out by December, 1973 and by that date the entire holdings will become surplus.
Friendship	198.46	32.5	26.64		
H.S.-748	225.47	17.3	9.73		
Skymaster	20.21	352.7	20.21	18.00	Skymaster is no longer in operation. Hence the entire inventory is surplus.
Dakota	142.21	839.5	..	27.00	Dakotas are being phased out on the arrival of HS-748 aircraft and the entire stores holdings would become surplus. The Management are of the view that engine spares valuing Rs. 62.11 lakhs included in the inventory may be utilised for

1	2	3	4	5	6
Misc. Stores & Tools	138.97	..	3.70	..	<p>overhaul of engine of the Corporation's own aircraft/ that of private operators even after disposal of aircraft.</p> <p>The surplus consists of out dated parts of motor transport, etc. or discarded uni-forms as a results of changes in design, colour etc.</p>
	1,647.19		175.00	108.53	

8.6. It will be seen from the above that the value of slow and non-moving stores and spares (including Dakotas and Viscount Spares) as on 31st March, 1972 was Rs. 494.29 lakhs which are more or less surplus to the requirement of the Corporation. These constituted about 30% of the total store holding. In this connection, the Management intimated audit in November, 1970, as under:—

“The question of disposal of surplus spares is under the active consideration of the Corporation and a policy is being evolved to dispose only such stores which are not likely to be utilised in the future. Apart from this, due consideration is to be given to the price which the surplus stores may fetch on disposal; as generally the realisation in terms of money is only to the extent of 10% of the value of stores disposed.”

8.7. The Ministry informed Audit in October, 1971, as follows:—

“Some spares inevitably become non-moving|surplus due to modifications or as they form part of the initial provisioning which is made on the recommendations of the manufacturers. However, a Committee of experts, appointed

to go through the whole matter, will make recommendations for surplus disposals and suggest measures that surplus material is not acquired in future."

8.8. The Committee enquired the reasons for the stock holdings of consumables being in excess of the maximum limit laid down in the Stores Manual of the Corporation. They were informed that Chapter 4(a) (i) para 8.2 of the Stores Manual laid down as follows:—

"THE MAXIMUM:—The upper limit of stock holding Normally the maximum stock holding of any item will be the quantity ordered by the Engineering Department to cover the requirements of 18 months or thrice the maximum consumption during the six months immediately preceding the review or thrice the anticipated next six months requirements based on the programme of work envisaged by the Engineering Department. The maximum stock holdings of items which are normally not available in the surplus market or ready stock with the manufacturers but which are subject to programme of production of the manufacturers, which is likely to affect the normal delivery schedules will be quantity ordered by the Engineering Department to cover the requirements of 30 months or 5 times the maximum consumption during the 6 months immediately preceding the review or 5 times the anticipated next six months requirements basing on the programme of work envisaged by the Engineering Department."

8.9. According to Indian Airlines, the provisions of this para are in the nature of broad guide-lines and it has been accepted that there may be occasions when the quantity may be ordered to cover the requirements even upto 30 months or more varying from item to item depending on the availability of the material, programme of production of the manufacturers and such other contingencies.

8.10. It was also stated that 1970-71 was a lean year for Indian Airlines due to various circumstances beyond its control such as strikes, lock out, etc. The realistic comparison between the consumption and stock holdings would be consumption of material for particular type of aircraft when its operation was at a reasonable level as per planned programme. The record of flying hours done by various type of aircraft in the Indian Airlines fleet during the

last 5 years and the utilisation per aircraft per annum was as follows:

Aircraft	Revenue Hours Flown				
	1966-67	1967-68	1968-69	1969-70	1970-71
Caravelle	13936	17761	21134	21321	18902
Viscount	24145	23046	26801	29172	22502
Friendship	23816	28455	32858	32836	24402
HS-748	..	1686	11119	25130	28310
Dakota	41038	30136	17128	11867	8036
	<u>102935</u>	<u>10184</u>	<u>109040</u>	<u>120326</u>	<u>102152</u>

Aircraft	Utilisation per aircraft				
	1966-67	1967-68	1968-69	1969-70	1970-71
Caravelle	2751	2831	3063	3089	2802
Viscount	2112	2141	2198	2169	1840
Friendship	2102	2248	2313	2434	2092
HS-748	..	1567	2169	2496	2211
Dakota	1409	1282	1222	1073	953

8.11 Thus the utilisation of aircraft during the year 1970-71 all round was low correspondingly reducing overhaul and consumption of material, though the fleet strength remained the same.

8.12 It was also stated that the inventory holdings in Aviation Industry have generally been classified on the following pattern:

	Percent
A Class Rotables	55
B Class Semi-rotables including insurance items	35
C Class Pure Consumables	10

The figures shown in respect of IA inventory holdings did not reflect break-up of semi-rotables including insurance items and consumables separately. The movement of sock-holding for routine maintenance of aircraft generally covered the pure consum-

ables which formed rather a small percentage of the total inventory holdings.

8.13 The reasons for excessive holdings of Consumable spares type-wise were stated to be as under:—

“DC—3, DC—4:

At the time of nationalisation, Indian Airlines inherited a fleet approximately 74 Dakota aircraft together with all the spares held by ex-airlines. A large proportion of these spares had been acquired by them in bulk from Disposal at the end of the War. There did not exist any procedure for provisioning or any inventory control. The acquisition of these spares by the Ex-Airlines was not based on any scientific methods of forecasting requirements in accordance with the actual operational needs. This large volume of spares taken over from Ex-Airlines continue to be held on the inventory and, therefore, accounts for the excessive holdings in terms of months' consumption against total holdings. The documents concerning the provisioning of these spares are not available at this stage. Since at that time also Dakotas were on the way out, the spares available at notional value were reflected in the accounts at full value, in the ultimate analysis, expected to be to the benefit of the Corporation. The acquisition of these spares from the ex-Airlines had no relation with the actual requirements based on the plan of operation drawn by the Corporation.

8.14 Besides, some other facts also contributed to the excessive holdings for DC—3 and DC—4 air-craft spares which are enumerated below:—

- (i) Some of the major components for the P&W engines had extended lead time as they were manufactured by the manufacturers after the order had been placed. These items were required to back-up the programme for over-haul of engines etc.
- (ii) On account of failures of certain major components purchased from the surplus market, it was decided to purchase all P&W engine spares from the manufacturers only, though their prices were many times more than those prevailing in the surplus market which accounted for the increase in the value of the inventory.

Viscount

- (i) The initial provisioning for this aircraft was made on the basis of recommendations received from the manufacturers. This was the first of the turbo-prop aircraft acquired by Indian Airlines and, therefore, to a great extent they had to go by the recommendations of the manufacturers.
- (ii) Out of the total fleet of 16 which the Indian Airlines acquired, on which the initial provisioning was based, four aircraft were lost. Subsequently, two Viscounts were taken over from the IAF which were of a different type to those operated by IA. Special provisioning of maintenance spares was required as well as spares were ordered to modify the aircraft to bring them up to our standard. Included in this deal was a total package of Rs. 35.00 lakhs worth of spares taken over from the IAF which have increased our holdings, although, in fact, these spares were taken over from IAF at 10 per cent of their value, i.e. Rs. 3.50 lakhs.

F—27 and Caravelle Aircraft:

The increased lead-time on account of closure of Suez Canal is approximately 4 to 5 weeks. Besides closure of the Suez Canal, there have been some other factors as well resulting in F—27 and Caravelle spares holding being higher than the maximum limits provided in the Stores Manual in terms of months' consumption. These reasons are summarised as under:—

- (i) Caravelle aircraft was the first of the jet fleet introduced by Indian Airlines. The initial provisioning for this aircraft was largely based on the recommendations of the manufacturers. Through experience gained by the operation of this aircraft, it is now felt that the initial provisioning in respect of this aircraft was high.
- (ii) The initial provisioning of spares, etc. in regard to Caravelle aircraft was in respect of 9 aircraft. These included high costing items such as Rotables and insurance items. These continue to be held in stock even though the fleet was reduced from 9 to 7 as a result of accidents to two of these aircraft. Similarly, the initial provisioning made for F—27 aircraft was for 15 aircraft out of which 2 were lost subsequently in accidents.

- (iii) The fleet of F—27 aircraft consisted of three different series/versions requiring special provisioning for the spares for each type.
- (iv) Another aspect in the increase of inventory was various modifications, introduced by the manufacturers from time to time.
- (v) Also, there has been a steady escalation of prices of all aircraft material ranging from 10 per cent to 15 per cent which also contributed to the high cost of inventory in terms of money.
- (vi) Lack of facilities which hampered introduction of modern techniques of forecasting requirements and inventory control.

8.15 The Committee also enquired as to why no periodical review of rotables was undertaken by the Corporation as required under the rules. They were informed that "the quantities of rotables to be purchased are determined at the time of introduction of a new aircraft. The requirement for additional rotables are scrutinised by the Chief Engineer of the Base. These are then submitted to the Headquarters where they are reviewed before additional rotables can be ordered. Further no rotatable is purchased until the unit gets definitely scrapped. Thus, the rotables are indirectly reviewed on a continuous basis.

8.16. Realising the importance of Inventory holding, a special Project Team has been set up to review the rotables for each type of aircraft and to revise the system of Inventory Control as considered necessary. The measures are also in hand to put Inventory Controls on computer."

8.17 Asked about the reasons for the increase in the stores holdings of Dakota Rotables in 1967-68 and 1968-69 the Committee were informed that rotables holding as at the end of the year 1966-67 to the year 1971-72 were as follows:—

Year	DC-3 Rotables	DC-4 Rotables	Total
	(Rs. in lakhs)		
1965-67	21.27	13.31	37.60
1967-68	44.43	15.50	59.23
1968-69	48.62	13.91	62.53
1969-70	37.08	10.91	47.97
1970-71	33.51	9.31	42.82
1971-72	27.06	6.19	32.16

8.18 Thus there was a sudden increase in the inventory of DC—3 Rotables in 1967-68. This increase was mainly due to special provisioning of DC—3 Rotables requirement anticipated to cover overhaul of 30 engines belonging to M/s Royal Nepal Airlines Corporation. The amount of Rotables provisioned for it was 14.61 lakhs. The balance between this amount and the total increase in the year 1967-68 accounted for the provision made for the Corporation's own requirements. This was done at a time when the Corporation was already doing R.N.A.C.'s engine overhauls and negotiations to finalise contract for overhaul of its 30 engines were in advanced stage.

8.19 It was also stated that "It is regretted that due to somereasons the contract with M/s Royal Nepal Airlines Corporation for overhaul of their 30 engines did not materialise. It would, however, be seen that almost the entire quantity of Rotables which was specially provisioned for the year 1967-68 has been consumed as the figures of inventory holdings at the close of the year 1966-67 and 1971-72 in respect of DC—3 Rotables are almost the same."

8.20 As regards the steps taken for the determination and disposal of surplus stores it was stated that a team of experts headed by a enior Engineer had been formed to go into the holdings of spares for different types of aircraft. The team made its recommendations regarding surpluses in respect of Dakota rotables, Viscount rotables and consumables. The study in respect of Dakota consumables was under progress. The team had not made out any formal report but only indicated surpluses on the holdings' lists taking into account stock position and consumption.

8.21 The following surpluses had been determined.

Caravelle	Consumables	Rs. 2.53 lakhs	March, 1972
	Rotables (declared surplus in 1967-68)	Rs. 16.00 lakhs	
Viscount	Consumables	Rs. 23.00 lakhs	October, 71
	Rotables	Rs. 22.00 lakhs	October, 71
Dakota	Rotables	Rs. 22.00 lakhs	October, 71
	Engine spares	Rs. 5.00 lakhs	March, 72
Skymaster	Other categories—Under review.	18.00 lakhs	108.53 lakhs

A review of HS—748 aircraft holdings was also made, but in view of the fact that the Corporation would be going in for more HS—748 aircraft, no surpluses had been declared.

8.22 The Committee were also informed that the team concluded that certain changes in the system were necessary to obviate over-provisioning and to introduce some control over consumption. These recommendations were being implemented.

8.23. Teams had also been formed in the Regions to review surpluses and make recommendations for their disposals and the retrieval from repairable and recoverable items.

8.24 In addition to the Materials Retrieval Committees mentioned above, Disposal Teams were also appointed in the regions to ascertain surpluses and to dispose of them to the best advantage of the Corporation.

8.25. The position in respect of disposal of surplus of each aircraft was as follows:—

DC—4 Aircraft spares:

“It has now been decided to offer DC—4 engine spares of the value of approximately Rs. 18.00 lakhs which were retained from the package deal for sale. The lists have been forwarded to IAF and HAL in the first instance to indicate their requirements. The replies are still awaited. As soon as the lists have been cleared by them these will be offered to other prospective buyers.”

DC—3 Aircraft spares:

“Efforts are being made to dispose off as many spares as possible for Dakota aircraft within the country to IAF and HAL who still have some requirements for the spares of this type of aircraft. Spares for Dakota aircraft of the value of approximately Rs. 5.00 lakhs have been sold to HAL, IAF etc. during the last three years and spares of the value of approximately Rs. 5.00 lakhs more have been offered recently. The lists of the spares offered are under scrutiny of HAL who have advised that they will be intimating their decision regarding acquisition of these spares shortly.

It is also intended to negotiate with HAL, for sale of surplus rotables holding of the value of approximately Rs. 22.00 lakhs at a fractional value of about 10 per cent as a package.”

Viscount Aircraft spares:

"There is no market for the Viscount spares within the country as no other operator is operating this type of aircraft. Efforts have also been made to find buyers for these spares abroad and assistance was also sought from some of the leading brokers and stockists of aircraft spares in the U.K. and the Continent. From the reports received so far, it appears that there are practically no buyers for these spares and except for a nominal value of spares which may attract some buyers, they may ultimately have to be scrapped."

Caravelle Aircraft spares:

"The list of surplus Caravelle spares of the value of Rs. 17.72 lakhs which included approximately Rs. 16.00 lakhs worth of components was circulated in the year 1968-69 and again in the year 1970. It was possible to sell spares of the value of Rs. 76,000 for Rs. 38,000 to M|s Sud Aviation and Czechoslovakian Airlines. The list of components was again circulated in the month of January, 1972 and a deal was struck with M|s. Luxair, Luxembourg for sale of spares of the approximate value of Rs. 5.00 lakhs at 40 per cent of the book value. The spares are under process of export.

The list of surplus consumables compiled in the month of February, 1972 has also been circulated to some operators all over the world but, no response has been received as yet.

Every possible effort as stated above, is being made for the disposal of surplus holdings. The disposal terms mentioned above will dispose off locally in each Region all surplus stores and assets which are not sold as a result of these efforts."

8.26. The Committee also enquired the steps taken to streamline material provisioning and to have better control on material consumption. They were informed that some of the steps taken to streamline the material provisioning and to have control on material consumption are as follows:—

- "1. IA has now posted a Purchase Manager in New York to reduce lead time for material to be purchased from the United States. Proposals have also been made for the posting of a Purchase Manager to take care for purchases from U. K. and the Continent.

2. **INVENTORY CONTROL COMMITTEE:** A team of experts headed by a Senior Engineer has been formed at Hqrs. to streamline provisioning, exercise control on consumption, shop-loading, and reduction in turn round time in shops etc.
3. **MATERIAL RETRIEVAL COMMITTEE:** Material Retrieval Committee has been formed in each Region to repair and reclaim semi-rotables and recoverable items which would reduce the incidence of purchase of such items from abroad.
4. The provisioning of HS—748 and Boeing—737 aircraft has already been brought on the computer. Work for bringing F—27 inventory on the computer is in an advanced stage. It is intended to take up the Caravelle inventory immediately thereafter. This, it is hoped, will go a long way in bringing the inventory down to a reasonable level.
5. Arrangements have been finalised with some Carriers for airlifting our material at concessional rates to reduce time in transit.
6. Similarly, arrangements have been made with the Forwarders in U.K. and U.S.A. to consolidate material and to air-freight the same where considered economical. This is directed at reducing the lead time for material which was hitherto being imported by post parcel."

8.27. The Committee note that the stock of inventories in Indian Airlines as on 31st March, 1972 was of the order of Rs. 16.47 crores. The value of stock of consumables engineering stores alone was Rs. 744.55 lakhs as on 31st March, 1972 which was equivalent to 37.2 months consumption as against the maximum stock level for 18 months provided in the Stores Manual of the Corporation. It has been stated that the utilisation of aircraft during the year 1970-71 all round was low correspondingly reducing overhaul and consumption of material though the fleet strength remained the same. The Committee, however, find that even in 1969-70 when the revenue hours flown were highest during the last five years, the stock of consumables was equivalent to 37.5 months consumption.

8.28. The Committee regret to note that there was large stock of slow moving and non-moving stores and spares. The value of such stores and spares (including Dakota and Viscount spares) as on 31st March, 1972 was Rs. 494.29 lakhs which constituted about 30 per cent of the total stores holdings. The Corporation still have surplus stores

items of sky-masters worth Rs. 20.21 lakhs although the fleet was withdrawn from service in 1969-70. Similarly although Dakotas and Viscount are in the process of being phased out, the Corporation had high stock of stores for these aircraft amounting to Rs. 378 lakhs. The Committee also find that in the case of DC-3 aircraft there was large increase in the inventory of rotables in 1967-68 and 1968-69 and it went up from Rs. 24.29 lakhs in 1966-67 to Rs. 48.62 lakhs in 1968-69 i.e. an increase of over 100 per cent. The increase was stated to be mainly due to special provisioning of rotables amounting to Rs. 14.61 lakhs for overhaul of 30 engines belonging to M/s. Royal Nepal Airlines Corporation, the contract for which eventually did not materialise. The Committee doubt the wisdom of purchasing large quantities of rotables for overhaul of these engines without first finalising the contract with Nepal Airlines.

8.29. The Committee desire that immediate steps should be taken for the determination and disposal of surplus stores as the delay in the disposal of surplus stores not only adds to the heavy inventory carrying cost, blocking up of capital but also adds to the loss in their disposal because of low sale value of these outmoded aircraft.

8.30. The Committee also find that even in the case of HS-748 aircraft, the stores holdings of consumables has increased from 20.2 months' consumption in 1970-71 to 30.1 months consumption in 1971-72. In view of the fact that HS-748 aircraft is being indigenously manufactured by a public undertaking, it should be possible for the Indian Airlines to rationalise inventory holdings for the indigenous stores and spares.

8.31. The Committee note that certain steps have recently been taken by the Corporation to streamline material provisioning and material consumption. The Committee hope that these steps which include computerisation of inventories will help in better control of inventories and in bringing them down to a reasonable level.

C. Delay in placing orders

8.32. On 10th March, 1966, M/s. Rolls Royce Limited, manufacturers of Dart Engines, forwarded a list of spares and tools required for the overhaul of the Dart 532-7 engines along with their quotation valid for 90 days to the Calcutta office with a copy to the Controller of Stores, New Delhi. No action on the quotation was taken by the Corporation till 18th June, 1966 i.e. 8 days after the expiry of the quotation, when an indent for equipment and special tools was sent by the Engineering Manager to Stores Department.

8.33. On 5th July, 1966 the Stores Department requested the Engineering Manager to obtain financial sanction before any order could be placed. However, keeping in view the urgency of the equipment, 2 orders for the various parts and tools were placed on the manufacturers on 22-8-1966 and 23-8-1966 pending financial sanction.

8.34. On 31st August, 1966, M/s Rolls Royce Ltd. advised that the prices mentioned in their quotation dated 10th March, 1966 were no more valid as the orders were placed after the validity period and they would intimate revised prices, delivery allocation, etc. In November, 1966 the manufacturers intimated their revised quotations which were accepted by the Corporation. According to the revised quotations the value of the spares and tools (for both the orders) amounted to £15506-17-11 as against the original quotation of £10289-16-2, thereby resulting in an extra expenditure of Rs. 1,09,536. Consequent on the enhancement in the purchase price of the tools and equipment, the customs duty also increased by Rs. 65,721 (i.e. 60 per cent of Rs. 1,09,536) Thus owing to the delay in placing the orders the Corporation had to incur an avoidable expenditure of Rs. 1,75,257|-. .

8.35. The Committee enquired the reasons for the delay in placing the orders for spares and tools. The Corporation in a written reply stated that three sets of bulky 100 folios each containing recommendations of M/s. Rolls Royce for special tools and components required for the overhaul of Dart 531-32 engines together with their letter dated 10th March, 1966 were received in April, 1966, apparently having been despatched by Sea Mail. Thus nearly 1 month lapsed before the recommendations were received by Indian Airlines. These had been despatched to the Calcutta Office. Since Dart engines were being overhauled at Delhi and the requirement of tools for their overhaul could properly be examined by Chief Engineer, Delhi the recommendations were despatched by Chief Engineer, Calcutta to Chief Engineer, Delhi and were received at Delhi on 25th April, 1966. Thereafter, the Engineering Department took about a month to go through the various catalogues, examine the requirements and specify the items for which indents would have to be placed. The list of items for which orders were to be placed was got ready by 26th May, 1966 by Chief Engineer who sent it to the Engineering Department at HQ for further processing. This took about 5 weeks with the result that indents could be released to the Stores Department only on the 18th June, 1966 i.e. 8 days

after the expiry of the validity period as specified by the party. Moreover, the party had indicated that there could be some technical alternations and subsequent price changes.

8.36. Thus excluding the time taken in transit, the Engineering Department was allowed only 6 weeks to go through this huge volume of data, assess the requirements and then decide the items for which orders were to be placed.

8.37. It was also stated that "though the catalogues were received there was no intention of placing orders for all the items and the requirements had to be carefully assessed in view of the difficult foreign exchange situation. This required some inter-departmental coordination and it cannot therefore be said that there was any inexcusable delay in placing these orders.

If anything, some delay took place in the Engineering Department and the Chief Engineer, who was responsible for ensuring that the items which were required were ordered before the expiry date of the recommendations has since retired. It has therefore been decided that no further action is necessary against any person."

8.38. The Committee were also informed that further scrutiny has revealed that the final amount of loss on this account worked out to less than that reported by Audit. This was because Rolls Royce themselves, when subsequent orders were placed, indicated that the unit price in regard to some items had been erroneously given in their recommendation dated 10th March and that by revision, their prices would go up. Thus, even if the orders had been placed within the period of three months from the date of the recommendation, Indian Airlines would have had to pay a higher price than what was mentioned and as such the real loss to Indian Airlines in not placing the order within three months of the recommendations could be considered to be less than the amount of Rs. 1,09,536|- mentioned in Audit Report.

8.39. The Committee find that M/s. Rolls Royce Limited, manufacturers of Dart Engines had forwarded the catalogue of spares and tools required for the overhaul of the engines to the Calcutta office of the Corporation in April, 1966. It has been stated by the Corporation that there was no intention of placing orders for all the items and the requirements had to be carefully assessed in view of the difficult foreign exchange situation and this required some inter departmental coordination. Keeping in view that the validity period for the quotation from M/s. Rolls Royce Limited was to expire after 90

days i.e. by 10th June, 1966 the Corporation should have made arrangements for scanning the list and to place the orders for the required items, within the validity period. The Committee regret to observe that the lack of coordinated between the units of the Corporation and the delay at several stages had put the Corporation to an extra expenditure of more than a lakh of rupees in foreign exchange. The Committee recommend that the Corporation should ensure proper coordination between its different wings and take expeditious action in such cases to avoid lapses of this nature.

D. Stock verification and reconciliation of Stores/spares

8.40. According to Rule 8 of the Air Corporation Rules, 1954 the Corporation follows the perpetual inventory system of verifying the ground balances with the Kardex on a biennial cycle basis. The results of verification together with orders of the Corporation for any shortages or excess of stores and other assets are also required to be communicated to the Comptroller and Auditor General of India. No time bound programme for submission of these reports to the Board|Comptroller and Auditor. General of India has, however, been drawn up. It would be seen from the following data that the reports of physical verification and reconciliation were submitted to the Board after 17 to 22 months from the date of completion of verification:—

Year of Cycle	Date of submission to Board	Time taken in submission of physical verification and reconciliation report from the date of completion of verification.			
		For stores	For assets	For stores	For States
1962-64	17-12-1965	17-12-1965	20 months	20 months	
1964-66	30-9-1967	30-9-1967	18 months	18 months	
1966-68	5-9-1969	23-2-1970	17 months	22 months	
1968-70	27-5-1971	Not placed so far (Oct. 1971)	14 months		

8.41. The Committee enquired whether it was not advisable to prescribe a time limit for the submission of results of verification. They were informed that while there had not been any difficulty in completing the physical verification of Assets and Stores, the reconciliation was found to be time-consuming as after the physical verification when the statement of shortages|excesses were sent to the various Departments, certain items which were reported short earlier were located which again required verification. In view

of this, no strict time schedule could be laid down, but efforts had been made to streamline the procedure. A part of the Stores Inventory had already been computerised, It was expecting that in due course, the computerisation of Inventory including Rotables would help in streamlining the procedure for physical verification and reconciliation of Stores. It was expected that the report for the biennial period 1970-72 would be finalised within 9 months from the close of the biennial year.

8.42. The Committee were also informed that the report on Assets had already been finalised, except Headquarters and Cabin and Catering Equipment and sent to the Secretariat for placing before the Board.

8.43. The Committee regret to note the long delay in submission of the Reports regarding physical verification and reconciliation of stores and assets to the Board of Directors/Comptroller and Auditor General of India. The Committee note that already steps are being taken to computerise the system of inventory and that such computerisation would help in streamlining the procedure for verification and reconciliation of stores. The Committee would like to emphasise the importance of fixation of a time limit for submission of reports of verification/reconciliation to the Board of Directors/Comptroller and Auditor General as delay in the submission of the Reports would only create difficulties in fixing responsibility and taking suitable remedial measures for excesses/shortages.

IX

ORGANISATION

A. Organisational Set Up

9.1. Section 4 of the Air Corporation Act, 1953 provides for a Board of Directors consisting of a Chairman and not less than eight and not more than fourteen other Directors to be appointed by the Central Government. The Board of Directors of Indian Airlines as reconstituted on 31st March, 1972 consisted of a Part-time Chairman, a Managing Director and nine other Directors. For the first time, two functional Directors from within the Corporation have been appointed to the Board.

9.2. The Headquarters of the Corporation is based at Delhi, and the countrywide network is demarcated into the following four separate regions each with its own regional Headquarters or base:—

Region	Regional Base
Bombay Region	. Bombay
Delhi Region	. Delhi
Calcutta Region .	. Calcutta
Madras Region .	. Madras

9.3. The Headquarters is primarily responsible for policy making and providing broad guidelines in all aspects of the Airlines functioning. The actual execution takes place in the Regions within the framework of policies laid down by Headquarters.

9.4. The Headquarters set up consists of a number of departmental heads such as Financial Controller, Director of operations, Director of Engineering, Commercial Director, Controller of Stores and purchases and Director of Personnel who report directly to the Chief Executive of the Corporation, the Managing Director.

9.5. Each Region is headed by the Regional Director, who is in overall charge of the entire region and who also reports directly to the Managing Director. Corresponding to the Headquarters set up, each region also has its own departments with the Regional Departmental Heads reporting to the Regional Director.

B. Changes in the posts of Chairman

9.6. In their 23rd Report on Indian Airlines in March, 1966 the Committee on Public Undertakings commented upon the frequent changes in the posts of Chairman|General Manager of Indian Airlines and observed as follows:—

“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 Chairman 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.”

9.7. There had however, been four changes in the incumbency of the Chairman of the Corporation even since 1967. The periods for which the various Chairman of the Corporation held their respective posts are indicated below:—

Shri A.S. Bam	From December, 1966 to 19th June, 1967
Dr. Bharat Ram	From 14th August, 1967 to 31st July, 1969
Shri S.Mohan Kumaramangalam	From 7th August, 1969 to 27th January, 1971
Shri K. T. Satarawala	From January 1971 to 31st July, 1971
Shri N. P. Sen	From August, 1971 to date.

9.8. During evidence the Committee enquire the reasons for the frequent changes in the incumbents to the post of Chairman. The Secretary of the Ministry stated as follows:—

Since 1966 there have, of course, been four or five incumbents to the post of Chairman, Mr. Bam was Chairman between December, 1966 to 1967. He relinquished in order to

take up an assignment with the UN in Yugoslavia. He was followed by Dr. Bharat Ram who was Chairman from 14th August, 1967 to 31-7-1969. He resigned. Then Shri S. Mohan Kumaramanglam came from 1st August, 1969 to 27th January, 1971. He also resigned to contest the election to the Lok Sabha. Shri K. T. Satarawala acted as Chairman for a brief period of five months and thereafter Shri N. P. Sen was appointed as Chairman."

9.9. In this connection, the Committee find that the Administrative Reforms Commission had also observed in their Report on Public Sector Undertakings in October, 1967 as follows:—

"Frequent changes and long vacancies in top posts must be avoided. The Chairman and full time functional members of the board should have a fairly long period of tenure to enable them to make a significant contribution on the basis of experience gained in the undertaking. A period of 5 years should be regarded as the minimum for the Chairman and the full-time members of the board and a period of not less than two years for the part-time non-official members."

"While making appointments to the board, preference should be given to the officers working within the undertaking. The system of appointments should be in accordance with the basic principle that a person from the lowest ranks of service can rise to the top if he has acquired the necessary qualifications, and if his performance has been outstanding."

9.10. The Study Committee on Indian Airlines appointed by Government in May, 1971 under the Chairmanship of Shri N. P. Sen also observed as follows:—

"We would suggest that the criteria for selection of the Chairman of a Public Sector Undertaking should be that the person concerned has an experience of successfully managing a business enterprise and is professionally qualified to manage a high technology type of enterprise; that the Minister, the Cabinet and the Prime Minister have the fullest trust and confidence in him; and that he is available for this post to the minimum extent of five years (the option is always there for the Minister to remove him at any time)."

"It is also desirable that greater opportunities should be made available to technical persons in these undertakings to rise to management jobs. As an initial step the Administrative Ministry concerned should make a policy statement that for top management appointments in Public Sector Undertakings the first choice would be from inside the undertaking and if no one is found suitable then it would look to outsiders; Second, there should be a well thought out programme to select managerial talent from within the undertaking and evolve management development scheme to convert technical persons into general managers. Otherwise the policy would remain on paper and the insiders would continue to be rejected in favour of outsiders."

9.11. As regards the action taken on these recommendations, the Ministry informed the Committee that "appointments which are within the purview of Government should be on the basis of selection. The claims of suitable eligible employees would naturally be given careful consideration." As regards the tenure of the top management posts the Ministry informed that 'a similar recommendation was made by the Administrative Reforms Commission and was accepted by Government in principle subject to performance being satisfactory."

9.12. The Committee regret to note that there had been frequent changes in the post of Chairman of Indian Airlines since its inception. During the last six years (1967 to 1972) the Corporation had five Chairmen. The Committee are constrained to observe that in spite of their recommendation in this regard in their earlier Reports as well as the recommendation by Administrative Reforms Commission/Sen Committee, the post of Chairman has been vacant off and on. The Committee would, therefore, reiterate that the incumbents to these posts should be selected carefully, keeping in view the above recommendations so that the person at the helm of affairs of an undertaking like Indian Airlines is able to fully implement the plans and programmes of the Corporation and his experience in the field may be advantageously utilised.

9.13. The Committee also find that at present the Indian Airlines is having a part-time Chairman and a full time Managing Director. The Committee would like to invite the attention of Government, in this connection, to the following recommendation of the Committee in para 182 of their 8th Report on Hindustan Aeronautics Ltd.:—

"The Committee feel that when the Chairman has no executive

functions and is simply required to preside over the meetings of the Board there is no point in having one such in addition to a Managing Director. This makes the organisation top heavy without any attendant advantages. It leads to duality of control and clash of personalities. The Committee are, therefore, of the view that it will be better to combine the posts of Managing Director and Chairman."

The Committee recommend that the Government should consider the desirability of combining these two posts.

CHAPTER X

PERSONNEL

(A) Staff Strength

10-1 The Department-wise position of staff and officers in the Corporation during the 6 years ending 31st March, 1972 is given below —

Sl. No.	Department/Branch	31-3-1967	31-3-1968	31-3-1969	31-3-1970	31-3-1971	31-3-1972						
		Offi- cers	Others	Offi- cers	Others	Offi- cers	Others						
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Operations and Planning including cabin attendants . . .	864	244	874	248	894	255	944	438	1038	254	1121	261
2.	Engineering including Civil Works	584	3705	604	3834	619	3874	666	4020	670	4099	691	4244
3.	Finance including Internal Audit	78	1112	78	1129	80	1137	78	1136	91	1171	114	1174
4.	Stores and Supplies	31	830	30	859	30	870	30	884	36	926	42	940
5.	Surface Transport .	6	774	6	823	7	842	8	886	9	921	17	938
6.	Traffic and Sales	204	2431	194	2532	210	2693	201	2770	245	2912	279	3155
7.	Catering .	10	421	10	462	12	471	12	472	15	472	19	498
8.	Administration	54	1001	63	1073	68	1116	63	921	98	1194	133	1257
9.	Public Relations	..	..	..	..	..	..	8	10	..	..	..	..
		1831	10518	1859	10960	1920	11258	2010*	11537*	2202	11949	2416	12467

*Includes 20 officers and 50 staff for Boeing Project.

10.2. The break-up of the above staff strength into technical and non-technical categories together with the percentage to the total staff personnel is indicated below:—

Period as on	Technical	Non-Technical	Total staff strength	% of staff to the total staff	% of technical staff to the total staff
1	2	3	4	5	6
31-3-1967	4513	7836	12349	36.6	63.4
31-3-1968	4650	8169	12819	36.3	63.7
31-3-1969	4709	8469	13178	35.7	64.3
31-3-1970	4892	8655	13547	36.1	63.9
31-3-1971	5649	8502	14151	39.9	60.1
31-3-1972	5874	9009	14883	39.5	60.5

10.3. It will be seen from the above statement that the total number of staff as on 31-3-72 was 14883 as against 12349 on 31-3-1967 i.e., an increase of 20 per cent within a period of five years.

10.4. This matter was also considered by the Committee on public Undertakings (Third Lok Sabha) and in their 23rd Report (in March, 1966), they recommended as follows:—

“The increase in staff from year to year has been attributed to increase in business and workload 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 overstaffed. It is expected that the Corporation will on its part try to allay these impressions by keeping its staff strength at the minimum level.”

“An overall review of staff requirements should be made periodically to ensure that the disposition of the staff at the various places actually conforms to the increase or decrease in the work load necessitated from time to time.”

10.5. In reply to the above recommendation Government stated in March, 1969 that periodical review of staff requirements is done and only the minimum additional staff necessary is sanctioned where the need for an increase is very clearly established.'

10.6. The Audit however, pointed out that the checks presently exercised by the Corporation comprised the scrutiny of proposals for additional posts and that the Corporation had yet to evolve a system for a periodic review of the requirements of staff strength as a whole.

10.7. The Ministry informed Audit in 1971 as follows:—

"In the operations Department certain norms are available for determination of the Standard Force for the flying crew for Technical Staff in the Engineering Department also certain norms have been arrived at by determining the total time spent on different jobs, over a period of time. In respect of other Departments, the Standard Force is determined, by and large, by empirical methods and sometime on an *ad hoc* basis. However, the Corporation is aware of the need for an integrated manpower plan and a Committee has been recently set up at the Corporation's Head Quarters to evolve a comprehensive 5 year manpower plan."

10.8. The Committee enquired as to why no study had so far been conducted to assess the total staff requirements. It was stated that "the Corporation accepts the need for scientific study of manpower requirements. The work of assessing norms is one of the functions that has been assigned to the recently created Industrial Engineering Unit. The Management Advisory Services Department has also been allotted a function to look into systems and procedures which can have an impact on manpower requirements. Both these units have started functioning only a few months ago and will be proceeding with their tasks in a phased manner shortly. Progress in this area could not be made more rapidly as the staffing of the Management Advisory Services Department was completed only in March, 1972 and that of the Industrial Engineering Cell is not yet complete. Considerable time was required to recruit specialists after the initial requirements had been assessed. These units will take some more time to finalise their studies in matters relating to improvement of methods and establishing of norms."

10.9. The Committee were also informed that the Manpower Planning Committee which was informally set up at the end of August, 1971, took a formal shape as a permanent committee of the Corporation in April, 1972.

10.10. The Committee find that there has been progressive increase in staff strength of Indian Airlines especially in Engineering, Traffic and Sales and Finance Departments. The Committee on Public Undertakings had suggested in their 23rd Report (Third Lok Sabha) in March, 1966 that "an overall review of staff requirement should be made periodically to ensure that the disposition of the staff at the various places actually conforms to the increase or decrease in the workload necessitated from time to time." They regret to note that in spite of the above recommendation of the Committee no steps were taken all these years to review the staff strength by making a scientific study of the manpower requirements. It is only recently that the Industrial Engineering Unit and the Management Advisory Services Department have been asked to fix norms for the various jobs, and to look into the systems and procedures of work. A Manpower Planning Committee has also been set up for preparing a rolling Five Manpower Plan.

The Committee stress that these studies should be completed without delay and the staff strength for the various Departments of the Corporation should be realistically fixed and readjustments of staff made as necessary keeping in view the recommendations of Manpower Planning Committee and the norms evolved by the Industrial Engineering Cells, Management Advisory Service Department, etc.

(B) Productivity

10.11. The following table indicates the number of employees and their productivity, wages per ATKM and average wage per employee from the year 1959-60 onwards:—

Year	ATKM (Millions)	No. of employees	Wage bill (Rs. in lakhs)	ATKM per employee	Wage bill per ATKM (Paise)	Average wage per employee per month (Rupees)
1	2	3	4	5	6	7
1959-60	111	9281	363	11957	33	326
1960-61	113	9390	421	12039	37	374
1961-62	121	9562	504	12632	42	439
1962-63	136	10075	548	13506	40	453
1963-64	135	10463	581	12919	43	463
1964-65	157	11039	696	14219	44	525
1965-66	137	11862	807	11585	59	567
1966-67	159	12349	1053	12879	66	711

1	2	3	4	5	6	7
1967-68	182	12819	1162	14230	64	755
1968-69	206	13178	1254	15597	61	793
1969-70	221	13547	1442	16285	65	887
1970-71	199	14157	1574	14050	80	927
1971-72	262	14883	1880	16898	72	1058

NOTES :—1. The figures of ATKm, ATKm per employee and wage bill per employee for the years 1965-66 to 1971-72 are excluding the figures for hired aircraft.

2. The fall in total ATKm during 1965-66 was due to Indo-Pakistan conflict.
3. The figure of wages for 1969-70 does not include the incidence of Rs. 166 lakhs of likely increase in wages which was under negotiation.
4. The figures of wages for 1970-71 does no include the incidence of Rs. 176 lakhs of likes increase in wages. Vote Note 2 below Balance Sheet as on 31-3-1971.

10.12. It will be seen from the table that the productivity, in terms of ATKM per employee has generally been registering an increase from year to year. But it has to be viewed in the background of the fact that increase in the ATKm does not involve *pari passu* increase in manpower but is the result of varying composition of fleet and operational pattern according to which the ATKm might increase considerably in view of the capacity of the aircraft not involving commensurate increase in additional manpower.

(ii) While the productivity per employee (in terms of ATKM) during (1959-60 to 1971-72 increased by 41 per cent the wage per employee in the same period increased by 224 per cent.

10.13. In this connection, the Ministry informed Audit in October, 1971 as follows:—

“.....The increase in wages was also to a significant extent necessitated by a sharp increase in the Cost of Living Index (from 124 in 1960 to 224 in 1970, Base Year 1949). Another major factor was the acceptance in 1966 of the concept of parity with Air India in respect of wages which was endorsed by a National Industrial Tribunal, thereby delinking wages from factors like increase in ATKM and capacity to pay. The Management is, however constantly on the look out for ways and means to introduce measures for economy including control on the manpower. The Management Advisory Services Cell and the Industrial Engineering cell have been recently set up to examine the aspect especially the methods and procedures followed. In

the course of negotiations with the Unions|Associations also, the Management has been making efforts to introduce measures which would improve productivity or eliminate wasteful practices which hamper productivity. Some of the proposals in this respect have been accepted by the Air Corporation Employees' Union and the Indian Aircraft Technicians' Association which we expect would also contribute to improve productivity."

10.14 The committee enquired whether the proposals accepted by the unions have been implemented. They were informed that the measures that were amendable to immediate implementation such as those relating to deployment on|termination of overtime, discontinuation of substitute off, grant of privilege leave, etc., had been implemented. Some of the measures such as introduction of surveillance inspection, setting up of standard timings for various jobs will, of necessity, take some more time for implementation as a lot of preparatory work was required to be done before their implementation.

10.15 The Committee also enquired as to how the emoluments in Indian Airlines compared with those in Air India, Indian Air Force and Hindustan Aeronautics Ltd. They were informed that "the National Industrial Tribunal of 1964 presided over by Mr. Justice G. D. Khosla awarded that there should be parity or near parity in the emoluments of employees performing similar duties in Air India and Indian Airlines. In pursuance of this, parity or near parity is being maintained in the emoluments of comparable categories of employees in Indian Airlines and Air India."

"The emoluments of employees in Hindustan Aeronautics Ltd., which is an aircraft manufacturing unit, and Indian Air Force which is a defence service organisation are not comparable with those of employees in Indian Airlines, *inter alia*, for the following reasons.—

- (i) Indian Airlines is a commercial transport carrier with multiple aircrafts in its fleet.
- (ii) Some of the skills required by Indian Airlines are different from the skills required by a manufacturing organisation or a defence service organisation. Job-content of many of the posts may also vary.
- (iii) The perquisites enjoyed by defence service personnel differ from those of Indian Airlines employees.
- (iv) Employees of Indian Airlines enjoy the protection and privileges granted by the labour laws of the country."

10.16 In this connection, the Committee were also informed that the productivity per employee of Indian Airlines as compared with other Airlines was as follows:—

Airline	ATKm Employee
1. Air India	52,563
2. Ansett	59,536
3. Air Canada	169,540
4. B. O. A. C.	122,012
5. B. E. A.	37,281
6. Garuda	52,569
7. Iran Air	55,195
8. <i>Indian Airlines</i>	15,854
9. M.E.A.	75,854
10. Mexican	86,441
11. M.S.A.	52,557
12. Pan America	223,559
13. Quantas	108,978
14. T.W.A.	243,586
15. T.A.A.	55,169
16. United	207,283
17. United Arab Airlines	32,840
18. Western	190,999

(Source : World Air Transport Statistics—1970)

10.17 It was however stated by the Corporation that the ATKm was not a well-defined standard Unit of staff productivity because the production of ATKm was dependent on many other factors besides employee efficiency and following are the parameters to be considered in this regard as detailed in Appendix XII

1. Economics of sale
2. Aircraft Characteristics and fleet mix
3. Operational network - the extent of average stage length

4. Economics and social environment
5. Cost of labour and capital
6. Level of mechanisation
7. Agency policies i.e. whether the booking of the traffic was through agents or its own offices
8. Sub-contracting policies - i.e. whether the specialised activities such as engine and component over-haul and maintenance, airport ground handling, tackling and ground transport, are sub-contracted to outside agencies or done by the organisation itself.
9. National employment policies - employment of a large number of staff to exercise functions which are highly mechanised abroad.

10.18. The Management of the Corporation was, therefore, in the process of introducing Management by Objectives in connection with which norms would be established for the productivity of staff and each function taking into account the work situation. Simultaneously, the Manpower Committee recently appointed by the Corporation was making a study of the manpower requirements in this decade, so that the Corporation might achieve an optimum utilisation of its human and machine resources, taking into account the national environment and the industry requirements. One of the objectives of the Manpower Planning Committee is to work steadily towards increasing productivity measures in terms of ATKm/Employee and a target has been fixed in the next five year plan which will have the effect of virtually doubling the existing productivity by the end of the plan period.

10.19. The Committee find that although the productivity in terms of ATKm per employee has been registering increase from year to year, it has not been commensurate with the increase in wages. The productivity of Indian Airlines (in terms of ATKm) was much lower than that of any other Airlines. According to the Management the production of ATKm was dependent on many other factors besides employee efficiency. The Committee consider that, even taking these into consideration the productivity of Indian Airlines cannot be considered to be satisfactory and there is scope for substantial increase in

it. A large section of the technical employees of Indian Airlines are amongst the highest paid in the country. The Committee, therefore, desire that the wages should be linked with productivity so that the incidence of wages on the operating cost may be reduced and it may be possible to provide air service to the general public at reasonable rates. The Committee desire that the Manpower Planning Committee appointed by the Corporation would undertake a study in depth and suggest appropriate measures to increase productivity and reduce the incidence of wages per ATKm.

10.20. The Committee note that the objective of the Manpower Planning Committee is to virtually double the productivity measured in terms of ATKm per employee by the end of the Fifth Plan. The Committee would like the Corporation to take concrete measures to ensure that the objective is realised at the earliest but at any rate not later than 1979-80 (the last year of the Fifth Plan).

C. Crew Utilisation

10.21. According to the agreement entered into by the Corporation in November, 1965 with the Indian Commercial Pilots Association, the maximum flights time for a jet Pilot was fixed at 6½ hours per day, 26 hours per week and 65 hours per month. In the case of other pilots it was fixed at 8 hours per day, 32 hours per week and 80 hours per month. The agreement which envisaged payment of overtime allowance only to the Pilots and Co-Pilots (First Officers) beyond 50 hours flying in any calendar month was also extended to other crew members, i.e. Radio Officers, Flight Engineers and Cabin Attendants with effect from 1st April, 1966.

10.22. The following table indicates number of crew personnel employed and the average utilisation per month, during the year 1966-67 to 1970-71:—

S. No.	Designation of the crews	1966-67		1967-68		1968-69		1969-70		1970-71	
		Total No. of employees during the year	Average utilisation per month	Total No. of employees during the year	Average utilisation per month	Total No. of employees during the year	Average utilisation per month	Total No. of employees during the year	Average utilisation per month	Total No. of employees during the year	Average Utilisation per month
		3	4	5	6	7	8	9	10	11	12
1.	Captains/Commanders	276	53.73	267	56.41	288	57.80	287	54.36	339	48.50
2.	First Officers	104	29.50	111*	21.38*	102	23.82	128	41.81	69	41.10
3.	Radio Officers	67	50.51	58	44.46	41	38.73	25	41.27	23	37.00
4.	Flight Engineers	32	44.28	33	53.17	37	51.04	37	50.86	36	49.55
5.	Air hostesses and Stewards	243	63.88	248	68.88	260	76.32	305	72.23	413	43.40

*Includes 2 Pilots apprentices in March, 1968 in Calcutta Region.

10.23. It will be seen from the above that the utilisation of First Officers and Radio Officers continued to be below the minimum of 50 hours limitation (except for Radio Officers in 1966-67) in all the years.

10.24. The Committee enquired the reasons for extending the payment of overtime allowance to the crew members other than Pilots and Co-Pilots. They were informed that in respect of Pilots excess flying pay for flying done in excess of 50 hours a month was agreed to in order to maintain parity with Air India. The other Associations also insisted that their members should be paid excess flying pay for any flying done by their members in excess of 50 hours a month. This was agreed to by the Management.

10.25. As regards the reasons for low utilisation of the crew it was stated that utilisation of First Officers was low due to their being deployed on the Dakotas as these Pilots did not have any endorsement except that of DC-3. Radio Officers utilisation was also low because of the fact that they were flying only Dakotas and the Dakotas were being phased out gradually. The utilisation of Flight Engineers was lower than 50 hours in 1966-67 due to phasing out of the DC-4s. With the acquisition of the Caravelles the average utilisation per month increased and it was 53.17 in 1967-68, 51.4 in 1968-69, 50.86 hours in 1969-70. However, it went down again to 49.55 in 1970-71.

10.26 The Committee were also informed that the average utilisation per month of crew personnel during July, 1971—June, 1972 was as follows:—

Jet Commanders	53.30
Turbo Prop Capts.	47.49 ₀₀
First Officers	34.4
Cabin Crew	48.33 ₁
F/Engineers	38.11
Radio Officers	31.86

10.27. It was also stated that from January, 1973 it was proposed to increase the utilisation of Caravelle and Boeings to 3300 hours from 2800 hours per annum per aircraft. Similarly, utilisation of turbo-prop aircraft would also be increased from 2400 hours to 2700 hours per annum. This would call for greater utilisation of crew members.

10.28. The Committee find that the utilisation of the crew especially the First Officers and Radio Officers has been below the prescribed minimum of 50 hours during 1966-67 to 1971-72 (except for Radio Officers in 1966-67). The low utilisation of First Officers was stated to be due to the fact that they were being deployed only on the Dakotas as they did not have any endorsement except that of DC-3. Similarly Radio Officers were also required only on Dakotas and the Dakotas were being phased out gradually.

10.29. It is surprising that inspite of the fact that the Corporation had a programme for phasing out gradually the Dakota aircraft, no appreciable steps were taken to train and employ all the surplus First Officers and Radio Officers on alternative jobs to avoid their under utilisation. The Committee expect the Corporation to ensure that the deployment of staff on various jobs is in conformity with the work load and any staff expected to be rendered surplus are trained in advance as necessary to ensure optimum utilisation.

10.30. The Committee find that the utilisation of other crew members e.g. turbo-prop Captains, cabin crew and Flight Engineers was also below the limit of 50 hours per month during 1970-71 and 1971-72. The Committee note that the Corporation are now increasing utilisation of various aircrafts which may make for better utilisation of existing staff. The Committee consider that the Corporation should have taken these measures earlier as there has been an ever increasing demand for air services in recent years.

D. Payment of R.T. allowance to Pilots/Co-pilots

10.31. In 1965 the Corporation decided to withdraw the Radio Officers from the aircraft and to authorise the Pilots/Co-Pilots to operate the HF/VHF/RT.

In lieu of these services, the Corporation agreed to pay R. T. Allowance to the Pilots/Co-Pilots with effect from 1st November, 1965 as per the following clause of the settlement entered into with the Indian Commercial Pilots Association:—

Clause 20:

“R.T. Allowance: An allowance of Rs. 400 per month will be paid to all Pilots with effect from 1st November, 1965 for operating HF|VHF|R.T. and the routes and the types of aircraft from which R.O.|s will be withdrawn will be decided by the DGCA, Pilots will operate HF|VHF|RT with immediate effect.”

10.32 On 2nd February, 1966 the Headquarters Office without the approval of the Corporation, however, informed all the Regions that Radio Telephone Allowance was payable to all Pilots with effect from 1st November, 1965, irrespective of the fact whether or not they operate HF|VHF|RT. Accordingly all the Pilots|Co-Pilots who are operating Dakota aircraft and those who have flying endorsement only for operating this type of aircraft also became entitled to this allowance, although utilisation of Radio Officers in Dakota aircraft is obligatory as HF|VHF-RT equipment is not provided therein. A test check of the cases in the Delhi and Calcutta Regions showed that Radio Telephone allowance amounting to Rs. 16.38 lakhs had been paid up to September, 1970 to those Pilots and Co-Pilots who have flying endorsement only for Dakota aircraft.

10.33 The Committee enquired the reasons for the payment of Radio Telephone Allowance to all the pilots|co-pilots including those who had flying endorsement for operating only Dakota aircraft. They were informed that the consideration was that ICPA agreed to operate long range R.T. equipment which enabled the Corporation to consider withdrawal of Radio Officers from flying duties. The allowance was thus part of the overall settlement and it was intended to be paid to all Pilots irrespective of whether or not it had been possible to make suitable arrangements for withdrawing the Radio Officer from a particular aircraft

10.34 The payment of R.T. Allowance came into existence under an agreement signed with the Indian Commercial Pilots' Association on 27th November, 1965 between the Management of I.A. and the ICPA. The then Asstt. General Manager of I.A. signed the agreement on behalf of I.A. This agreement was put up to the I.A. Board at its 67th meeting held on 17th December, 1965. After the approval of the Board was obtained this settlement was also sent to the Government and the Government's approval was obtained on 28th January, 1966. An extract of the letter received from the Government is given below:—

“The revised pay and allowances are payable with retrospective effect from 1-4-1964 except that the R.T. Allowance will be paid from 1st November, 1965”.

10.35. As a result of the Corporation's decision to withdraw Radio Officer from all types of aircrafts except Dakotas (which are also being withdrawn from service gradually) many of the Radio Officers became surplus and were grounded from time to time.

10.36. The grounded Radio Officers who were on roll were trained and redesignated as Flight Operations Officers (Tech.) and utilised on flight despatch scheme introduced from 1st April, 1966. The position regarding utilisation of Flight Operations Officers (Tech.) for flight planning duty for the four years ending 31st March, 1970 *vis-a-vis* the actual requirement at Calcutta is indicated below:—

Year	No. of F.O.O. (Tech.) on roll	No. of F.O.O. (Tech.) required during the year on the basis of work-load	No. of surplus F.O.O. (Tech.)	Expenditure involved on pay and allowances of surplus F.O.O. (Tech.) during the year
1	2	3	4	5
(Rs. in lakhs)				
1966-67	12 (1 joined on 1-6-1966)	11	1 (from 1-1-1966)	0.20
1967-68	22 (10 joined on 1-11-1967)	13	9 (from 1-11-1967)	0.89
1968-69	31 (9 joined on 1-12-1968)	11	20 (11 from 1-4-1968) (9 from 1-12-1968)	3.31
1969-70	31	15	16	3.78

10.37. It will be seen that the strength of Flight Operations Officers (Tech.) was much in excess of actual requirement. The expenditure on the pay and allowances for the surplus Flight Operations Officer (Tech.) during the years 1966-67 to 1969-70 amounted to Rs. 8.18 lakhs (approx).

10.38. In this connection, the Management informed Audit in October, 1969 as follows:—

- (i) "...They have been put on duties depending on their number and not on the basis of work-load."
- (ii) "It is not possible for us to assess the actual extra expenditure incurred in posting of Senior Flight Operations Officers in excess of requirements at various basis but it will be appreciated that at present it is impossible for us to utilise the services of all the grounded Radio Officers effectively. At the same time the Management is com-

mitted to keep them on our pay rolls, as it is the responsibility of the Corporation to provide alternative employment to them."

The Ministry informed Audit in October, 1971 as follows:—

"Employment of Radio Officers on ground duties was basically considered as a measure of rehabilitation. The real saving arose out of non-payment of Flying allowance and the additional pay load which became available by the Pilots agreeing to operate this equipment. It was necessary to fit these Radio Officers who asked to continue in service in suitable ground jobs. In such a situation, some surpluses from time to time were unavoidable."

10.39. The Committee enquired the reasons for low utilisation of grounded radio officers. They were informed that the Flight Despatch Scheme was introduced in 1966. The grounded Radio Officers had to be given comprehensive training. The training was completed in 1970. In 1970-71 Calcutta had only 27 grounded Radio Officers and they were being utilised in the Flight Despatch Section in shifts each consisting of 4 grounded Radio Officers thus requiring 20 grounded Radio Officers daily. One of them was being utilised in the R.D's Office for administrative duties. The remaining were being utilised for administrative duties in the Operations Manager's Office, rostering and movement control. In 1971-72, three of the grounded Radio Officers had been transferred to Bangalore and Hyderabad in Madras Region for Flight Despatch purposes.

10.40. Besides the above, the Corporation had plans to post Senior Flight Operations Officer (Tech.) at Agartala, Dacca Gauhati, Silchar, Patna and Kathmandu in Calcutta Region for Flight Despatch duties. This had become essential due to acquisition of more and more sophisticated aircrafts. Thus, not only the so-called Surplus Grounded Radio Officers were being fully utilised but the Corporation required additional manpower in this category. With the development of the Flight Despatch Scheme more stations would be manned by Flight Dispatchers.

10.41. The Committee were also informed that the payment of R.T. Allowance to Pilots exceeded the saving as a consequence of non-payment of flying allowances to grounded Radio Officers. But the extra expenditure that was being incurred by way of payment of R.T. Allowance to pilots could easily be met from the additional revenue that accrued as a result of additional pay-load being available, saving in hotel accommodation and transport charges.

10.42. The Committee find that the Corporation agreed to pay an additional Radio-Telephone Allowance of Rs. 400 per month to all the pilots with effect from 1st November, 1965 for operating HF/VHF/RT. This has resulted in payment of allowance to even the Pilots/Co-Pilots who are operating Dakota aircraft and have flying endorsement only for this type of aircraft although the Radio Officers are required to be deployed on these aircraft. The Committee were informed that the additional payment on this account upto September, 1970 in Delhi and Calcutta Regions alone amounted to Rs. 16.38 lakhs. The Committee find that, on the other hand, the grounded Radio Officers who were withdrawn from other aircraft and who were trained and redesignated as Flight Operations Officers (Tech.) for flight planning duty could not be fully utilised.

The Committee were informed that there were 16 such surplus officers in Calcutta in 1969-70 and the expenditure on the pay and allowances of such surplus officers during the years 1966-67 to 1969-70 amounted to Rs. 8.18 lakhs (approx.).

The Committee have been assured that the surplus Grounded Radio Officers were now being fully utilised in the Flight Despatch Scheme. The Committee would like the Corporation to draw up a plan including necessary training well in advance to ensure that Radio Officers who become surplus on withdrawal of Dakotas are put to productive assignments.

E. High Incidence of Overtime Payments

10.43. The table below indicates the total incidence of salaries and wages per annum and the overtime payments made to the staff for the years 1966-67 to 1971-72:—

(Rs. in Lakhs)

Year	Salaries & Wages paid (net)	Overtime payment	% of overtime paid to total salaries & wages (net)
1966-67	941.61	111.43	11.8
1967-68	998.54	162.47	16.4
1968-69	1071.97	181.84	17.0
1969-70	1203.50	238.73	19.8
1970-71	1306.00	268.08	20.53
1971-72	1591.12	298.97	18.79

A department-wise analysis of the overtime payments is given in Appendix XIII.

10.44. The Committee on Public Undertakings in para 200 of their twenty-third report (3rd Lok Sabha March, 1966) had viewed with concern the rising trend of overtime payments (especially in the Engineering Department) and had suggested that the matter should be reviewed and overtime payment reduced substantially. It would, however, be seen from the above data that overtime payments continued to show a rising trend and constituted a significant proportion of the salaries and wages paid to the staff.

10.45. The Management informed Audit in November, 1970 that they had taken up with the Unions the question of increasing productivity by curtailment of factors leading to overtime.

10.46. The department-wise analysis of the overtime payments showed the following main features:

- (i) There was continuous increase in overtime hours from year to year in flying operations, flight equipment, maintenance, repair and overhaul, traffic and sales and surface transport.
- (ii) The overtime hours were lowest in the case of flying operations Department where overtime allowance is admissible beyond the prescribed number of flying hours. The incidence of overtime was highest in the case of flight equipment, maintenance, repair and overhaul and traffic and sales.
- (iii) There was large increase in overtime hours (244 per cent) in Accounts and Audit Department in 1970-71 as compared to the previous year.

10.47. When the Committee enquired the reasons for high incidence of overtime and its continuous increase from year to year, the following reasons were advanced by the Corporation:—

- “(1) The nature of aviation industry is such that unforeseen delays and dislocations arising out of operations, technical and weather make it necessary to detail employees on overtime. Additional charter services and emergent maintenance and repairs of aircraft also lead to employees being detailed on overtime.

- (2) Delays at one station lead to consequential delays in arrival and departure of aircraft at subsequent stations to which aircraft is scheduled to fly. This often necessitates retention of employees on overtime at all stations which are affected by such delays.
- (3) Expansion of the fleet and extension of service to new stations has also increased the workload resulting in increased overtime.
- (4) Increase in the wages of employees as a result of settlements and National Industrial Tribunal Awards has also to consequential increase in the overtime amounts paid.
- (5) Earlier there was no provision of limiting the number of times for availing privilege leave. As a result of this, employees used to take privilege leave of short durations very frequently resulting in shortage of strength and in turn leading to employees of the outgoing shift being detailed on overtime. In the agreements signed with the unions, grant of privilege leave has been restricted to 3 occasions in a year."

10.48. As regards the reasons for the high incidence of overtime in 'flight equipment', 'maintenance and overhaul' and 'traffic and sales' it was stated that it was due to the fact that the workload of these departments was liable to fluctuate whenever there were delays in flights due to various reasons. It was admitted that absenteeism was a factor which contributed towards overtime. Under the recent settlements arrived at with ACEU and IATA, employees were allowed normally to avail of privilege leave only thrice a year. It was expected that this would help reduce unforeseen absenteeism.

10.49. The Committee also enquired the reasons for an increase of 244% in overtime hours in Accounts and Audit Department in 1970-71 as compared to 1969-70. They were informed that earlier agreements with most of the unions/associations expired in March, 1969 and a number of unions/associations submitted their Charter of Demands during 1969-70. These were discussed during the year 1970-71 and the Finance Department had to compile voluminous information and work out the financial burden of the various proposals submitted by the unions/associations as well as those under the consideration of the Management.

10.50. The Committee enquired about the system in vogue in the Corporation for according sanction to overtime and whether it provided adequate safeguards. They were informed that the system for according sanction for overtime in the Corporation was as follows:—

(i) ADMINISTRATIVE STAFF (38 hours):

Normally, the staff are detailed on over-time as and when it is found that the work cannot be completed during the normal working hours due to exigencies of work or when extra work is required to be completed within a certain time limit. Necessity also arises due to absenteeism of staff and shortages. Keeping in view the above factors, the Section Heads prepare an estimate of overtime required to cope up with the work. Invariably, prior permission is obtained from the Departmental Head concerned.

(ii) SHIFT WORKERS (44 hours):

As regards the workers directly connected with the operations and maintenance jobs and traffic handling, etc., the position is different. Overtime for this category of staff, who are in round-the-clock shift duties, mainly arises whenever the strength of the staff from the outgoing shift are detailed on overtime to make good the shortage to avoid delay in the scheduled services, particularly at outstations. In the workshops/movement control, the time keeping office maintains the overtime and nightshift register, as per the prescribed proforma, and the overtime is authorised by the Duty Officer-in-charge or by the Shift-in-charge or by the Station Manager, who satisfies himself on the need for the staff to continue on overtime. Invariably, the statements of overtime are countersigned by the Departmental Head concerned. Month to month reviews are also made for each Department/Unit and the Departmental Head cautions the respective Union|Sections to minimise the overtime as far as possible, whenever it shows a tendency to increase.”

10.51. It was also stated that the Management had signed settlements with ACEU and IATA Unions incorporating measures for increasing productivity and eliminating wasteful practices. It was expected that these measures would raise productivity.

10.52. The Committee find that the amount of overtime paid to the staff of Indian Airlines was as high as Rs. 298.97 lakhs in 1971-72

constituting 18.7 per cent of the total salaries and wages during the year. The Committee regret to note that although in their 23rd Report in March, 1966 (para 200) they had recommended that overtime payment should be reduced substantially, the overtime payment had showed a continuous rising trend (an increase of 170 per cent within a period of five years) and the amount of overtime paid had gone up from Rs. 111.43 lakhs in 1966-67 to Rs. 298.97 lakhs in 1971-72. The Committee also note that total staff strength of the Corporation had also increased by 20 per cent in this period (para 10.3) Viewed against this background the Committee feel greatly concerned about the increase in overtime allowance and recommend that the Corporation should spare no efforts to increase the productivity and exercise strict check on absenteeism and other wasteful practices about which a reference has also been made in para 7.21 of this Report so as to reduce incidence of overtime to the minimum.

F. Labour Management Relations

10.53. The Labour Management relations in the Indian Airlines have not been happy. The number of mandays lost and the loss of revenue during the last four years on account of labour unrest was as follows:—

Year	Mandays lost	Loss of Revenue (Rs. in lakhs)
1968-69	52½	0.20
1969-70	15302	20.97
1970-71	2,02,048	415.00
1971-72	Nil	*

It will be seen from the above that the Corporation suffered considerable loss of revenue in 1970-71 because of labour unrest.

10.54. The Committee enquired the reasons for the unsatisfactory industrial relations. They were informed that industrial relations in Indian Airlines deteriorated from around March, 1970, mainly because of two reasons, namely, (a) the renewal of wage negotiations at the time of introduction of a new aircraft in the Corporation's fleet, and (b) Inter-union rivalries.

*According to the Corporation there were some cancellations and delays. Every effort was made to provide replacement of aircraft or meeting commercial demands by combining / rescheduling some services. This did cause some loss to the Corporation. It is however not possible to quantify the loss with any degree of accuracy.

There were, at present, 7 labour unions/associations functioning in Indian Airlines. The names of the Unions|associations were:—

1. Indian Commercial Pilots' Association
2. Airlines Radio Officers & Flight Operations Officers' Association.
3. All India Aircraft Engineers Association
4. Air Corporations Employees' Union
5. Airlines Ground Instructors' Association
6. Indian Flight Engineers' Association
7. Indian Aircraft Technicians' Association

Besides, there was the Indian Airlines Officers' Association, which was recognised by the Management of Indian Airlines.

All the Unions/Association in Indian Airlines, except the Air Corporations Employees Union, which was a general purpose Union, were craft-unions, with distinct features and divergent interests.

10.55. While the question of the new aircraft was under the active consideration of the Government, the Unions had placed new Charters of Demands, on the Management, their previous agreements having expired towards the end of 1968. These Charters of Demands were received around the middle of 1969 and wage negotiations with the Air Corporations Employees' Union (ACEU) and the Indian Aircraft Technicians' Association (ITATA) were started in September, 1969. Negotiations with the Indian Commercial Pilots' Association (ICPA) were started in January, 1970. The Management had also proposed certain measures to these Unions to be negotiated and incorporated in the agreements with a view to improving discipline and productivity in the working of the Corporation. The Unions took a rather recalcitrant attitude and the ICPA even refused to negotiate these proposals.

10.56. The Management held protracted negotiations particularly with the three major Unions, namely the ICPA, the ACEU and the IATA but no agreement could be reached because of:

- (a) the inter-union rivalry between the ACEU and IATA
- (b) the unions refusal to negotiate on the Management's proposals to improve productivity;
- (c) the exorbitant demands of the Unions.

To press their demands in the course of negotiations, the ACEU resorted to intense agitation during March, 1970.

10.57. There was a major set back in August/September, 1970, when the Indian Aircraft Technicians' Association deliberately slowed down work by resorting to 'work-to-rule' and also by refusing to work overtime demanding re-adjustment of differentials in the scales of pay following upon an agreement between ACEU and Air India on 15th July, 1970.

10.58. The next phase started from 23rd November, 1970 and continued for about one months. This time, Indian Commercial Pilots' Association resorted to go-slow and issued a direction to its members not to go for the Boeing 737 training.

10.59. On 1st December, 1970, the Indian Commercial Pilots' Association, Bombay issued a directive to its members not to fly HS-748 aircraft alleging deficiencies in the performance of this type of aircraft. Since refusal by Pilots to fly HS-748 aircraft amounted to disobedience of lawful orders of the competent authority and thus violation of the Standing Orders, certain pilots were charge-sheeted and placed under suspension. The Government also initiated action under the Essential Services Maintenance Order.

10.60. The dispute with the Indian Commercial Pilots' Association ended with an agreement which was signed on the 28th December, 1970 in the presence of the Minister for Tourism & Civil Aviation. In that agreement, it was stated that the Management would move Government|Director General of Civil Aviation to set up a Technical Committee to examine the performance of the HS-748 aircraft. The Government accordingly constituted the Committee but the Indian Commercial Pilots' Association did not co-operate and failed to nominate its representatives on the Committee.

10.61. On 22nd February, 1971 the Indian Aircraft Technicians' Association launched an agitation which involved work-to-rule, go-slow, refusal to work overtime and refusal to perform normal incidental duties. This resulted in disruption/cancellation of a large number of flights. As from the 4th March, 1971 the Air Corporations Employees' Union also launched an agitation similar to the one launched by the Indian Aircraft Technicians' Association. This aggravated the situation further, making it virtually impossible to continue operations. The Unions did not accept the offers made by the Management and also ignored the appeals made by the Minister for Tourism and Civil Aviation and the efforts made by the Chief Labour Commissioner to resolve the dispute. As such, the Management was left with

no option but to declare a complete lock-out of all workmen with effect from 0400 hours of 13th March, 1971. Finally an agreement was signed on the 27th March, 1971. According to this agreement, the Management agreed to lift the lock-out and the Unions assured normal uninterrupted and efficient air services. The lock-out was therefore, lifted with effect from 28th March, 1971.

10.62. Since then agreements have been signed with the various unions. These agreements were, however, valid only upto March-April, 1973.

10.63. In this connection, the Committee drew attention to the following statement made by the Minister of Tourism and Civil Aviation while replying to the demands for grants in Lok Sabha on 11th May, 1972:—

“The structure of aviation wages is bearing less and less resemblance to the general wage pattern in the country. Not only their problems are unrelated to the different parts of industry but the whole structure itself is becoming less and less linked with what is happening in the rest of the country. This is a trend which we simply cannot envisage in the economy. Therefore, we in the Government are at this moment engaged in a very deep and fundamental reappraisal of the entire situation of the wage structure in the aviation industry. I am not in a position at this stage to make any further announcement on this, but I can assure the hon. House that we are looking not only into the immediate problems that are there the problem of unsigned agreements or those which are pending with Government but into the deeper and wider problem. I have come to the conclusion that it is no use simply trying to solve each problem as it arises, because then what happens is that we drift from one crisis to another. You sign with one union and the other union starts agitating; you sign with another and the third one starts agitating and the agreements lose their validity and the whole process starts all over again.

Sir, this is something which cannot be afforded any longer. The country cannot afford to have constant breakdowns in its aviation industry. Aviation is one of the essential services in any modern developed country, particularly, nation like ours which is so vast and which is so far flung. Therefore, we have to look at more fundamental solution

to these problems and we are at present not only my Ministry, the Ministry of Labour, the Ministry of Finance and so on, we are all involved in this exercise."

The Committee enquired the action taken by Government in this regard. The Secretary of the Ministry stated during evidence that "Government are considering the feasibility of constituting a Wage Board which would go into the question of the structure of salaries in the two Airlines."

10.64. As regards other steps taken to improve industrial relations they were informed by the Corporation that some measures adopted to improve and sustain sound industrial relations in the Corporation were as follows:—

- (i) Efforts have been started towards planned Organisation Development.
- (ii) Joint Council:—A Joint Council comprising officials of different unions and management representatives is being formed at all India level.
- (iii) Existing Forums for dialogue between the Management and the workmen:
 - (a) The Corporation has formed Labour relations Committee comprising equal number of representatives of the Management and the workmen at all-India level, which meets once in two months and discusses various matters to promote amity and good relations, and
 - (b) works Committees at regional levels to promote participation at plant level.
- (iv) *Industrial Relations Committee*: An Industrial Relations Committee consisting of Officials from Headquarters and the Regions at the Headquarters level and Regional Industrial Relations Committees consisting of the officials from the Regions have been formed recently to continuously review the industrial relations climate in the Corporation and take effective steps to improve industrial relations.
- (v) *Communication*: For better communication there is an Employees' Suggestion Scheme.

The house magazine of the Corporation has been given a new orientation in order to promote two way communication between the management and the wrkers.

There are also Company Information Seminars for pilots and Engineers.

- (vi) *Training*: (a) Extensive Management Development Training Courses have been introduced for officers at various levels.
- (b) officials of different Unions are encouraged to go for training, for which they are sponsored by the Management.
- (c) Concrete steps have been taken to create training cells at Regional level with a view to promoting better understanding. Some training programmes, particularly for the Traffic Staff, are already being held.
- (vii) *Recruitment methods*: With a view to improve the standards of recruitment and also to remove possible complaints about unfairness in the matter of selection| promotion, objective methods for recruitment and selection have been introduced, which include psychological tests conducted by the psychometric testing cell of the Indian Statistical Institute, Calcutta, and the Directorate General of Employment and Training, Ministry of Labour, New Delhi.
- (viii) *Employees Services*: Increased emphasis is being laid on welfare amenities such as canteens, housing, holiday homes, financial assistance for education of employees and their children, medical assistance, etc.
- (ix) Industrial Relations section has been recently created at Hyderabad Base.
- (x) Continuous dialogue is held between the management and Unions both at Headquarters and Regional levels. Office bearers of the Union, as also other representatives, maintain regular contact with the officers of Personnel Department and discuss such of the day to day problems as may arise from time to time.

10.65. The Committee find that the Sen Committee had made the following observation in this regard:—

“Industrial relation at Indian Airlines has also been a function of limited scope. It has been understood mainly as the negotiation of fresh contracts with the unions once in

three years. In the interim period, things were allowed to drift." * * * "Agreements with the unions were expiring during 1968. Steps for negotiating a successor three-year agreement should have been initiated sufficiently in advance based upon the past experience of lead time in concluding agreements. There was delay in doing this. By extending the agreements expiring on 31st December, 1968 till the end of the financial year 31-3-1969 a brief respite was gained. However, the character of bargaining did not change." *** "The attempt to negotiate formal clauses on productivity in relation to benefits to be given, partly in view of the induction of the new aircraft, generated considerable heat. Negotiations became protracted, repetitive and frustrating. Both sides were gradually drawn into a win-loss tussle. The bargaining went on as if the cake to be shared was limited in quantity and what one side obtained would have to be at the cost of the other side, or in other words, there was distributive bargaining. The integrative bargaining alternative, that if by Joint Planning and action the total rewards generated could be increased substantially, both sides would be better off, was lost sight of."

10.66. The Committee view with concern the unsatisfactory labour management relations in Indian Airlines which is a sensitive industry where it is possible for even a small number of employees in strategic sections of the Corporation to resort to concerted industrial action resulting in the dislocation of services. Being the only domestic service and the process of production and consumption of the product being simultaneous the impact of labour trouble on the customers in terms of inconvenience and harassment is immediate and considerable and the financial loss to the Corporation is irretrievable. As stated by the Minister of Tourism & Civil Aviation in his statement in Lok Sabha, "the country cannot afford to have constant break downs in its aviation industry. Aviation is one of the essential services in any modern developed country particularly in a nation like ours which is so vast and which is so far flung."

10.67. The Committee regret to note that instead of finding a lasting solution to this problem, the Management had been trying to solve each problem as it arose. As pointed out by the Sen Committee "the industrial relations had been understood mainly as the negotiation of fresh contracts with the unions once in three years. In the meantime, things were allowed to drift." The agreements signed at present by the Management with the various unions are valid only

upto March, 1973. The Committee consider that the Corporation/Ministry should not rest content with buying industrial peace in instalments through ad hoc measures and periodic wage hikes by negotiating separately with unions representing different trades but should instead try to find an integrated solution acceptable to all sections of the employees. In this connection, they would invite attention to the following recommendations of the Committee in their 17th Report (5th Lok Sabha) on 'Personnel Policies and Labour Management Relations'.

"The Committee consider that while the undertaking may hold direct negotiations, with the most representative union, a way should be found to associate representatives of other registered unions functioning in the undertaking when general questions pertaining to work-load, pay-scales, etc. affecting the workers of the undertaking as a whole are discussed so that agreed decisions may be more readily implemented."

"In the opinion of the Committee, a single bargaining agent in each undertaking is essential in order to reach any meaningful and lasting agreement with the workers. It will also avoid unhealthy competition between unions and reduce inter-union rivalries."

The Committee feel that the formation of a joint council in the Indian Airlines is a move in the right direction. The Committee also desire that as announced by the Minister of Tourism and Civil Aviation in Lok Sabha, the Government should set up a body to go into the entire salary structure of the Corporation with a view to rationalising it both vertically and in relation to the rest of the public sector.

G. Training of Pilots

10.68. At present Indian Airlines recruit Pilots either from the Air Force or from the open market from candidates holding commercial pilots licence and fulfilling other allied requirements as laid down from time to time. For obtaining Commercial Pilots' Licence, the minimum requirement is 250 flying hours. For non-subsidised flying, the flying clubs charge Rs. 105 per flying hour i.e. Rs. 26250 for the training. The Committee pointed out that because of this heavy expenditure involved, meritorious boys with limited financial means may not get a chance of entering into the profession. They enquired whether the Corporation had examined the possibility of selecting candidates direct from the universities for training as pilots.

10.69. The Committee were informed by the Corporation in a written reply that "the suggestion is valid in two ways:—

- (a) Equal opportunities to all sections of society.
- (b) Possibility of exercising quality control right from the beginning and to initiate entry into the most vital industry in a controlled manner as per requirements of Indian Airlines to meet its objectives. As against this, the points to be considered are:—

"(a) Enormity of initial selection, method and retention of objectivity.

- (b) There would be considerable capital outlay and recurring expenditure making such training scheme prohibitively costly. It has been estimated that the cost of *ab initio* training for one candidate will work out to approximately Rs. 32,000 in addition to this boarding and lodging. Further, to be able to maintain the prime objective of standard, some candidates may have to be eliminated from the rolls during various stages of training thus increasing the *per capita* pilot training cost proportionately.

- (c) The existing Flying Clubs and the D.G.C.A. Aviation Training School will also be training pilots to commercial Pilots Licence standard and the main recruitment of pilots in the country being confined to Indian Airlines, the problem of unemployment among qualified pilots will indeed be very difficult to solve. Thus while achieving one social gain, the imbalance in the form of increasing number of trained pilots *vis-a-vis* extremely limited job opportunities may create other implications, the impact of which will be felt on the society as a whole."

10.70. The Committee were also informed that "the Indian Air Force recruits candidates for Pilot Officers through U.P.S.C. from the students of National Defence Academy, N.C.C. and also straight from schools/colleges. They give the candidates intensive training on all phases of Air Force requirements, channeling the candidates into different categories like Transport Section, Jet Section, etc. according to their performance. However, the Indian Air Force's and Indian Airlines' objectives and functions of a pilot are quite different. Job functions, organisational pattern, pay structure and other conditions of service are not comparable with civil flying. If Indian Airlines is to recruit their requirement of pilots from candidates with general minimum qualifications laid down and without

any flying experience and initiative their training from the very beginning, this will call for a separate organisation."

10.71. Asked about the extent of training imparted by the Indian Airlines at present, the Committee were informed during evidence as follows:—

"After they come from the flying club, they can only fly small aircraft like Piper or Tiger Moth. We put them through a ground course. Our basic aircraft is HS-748. Then we give him simulated flying trying for 50 hours. He also does navigation and certain other courses. After he has passed all these examinations, we take him on to actual flying training. We give him upto 25 hours of instructional flying on our basic aircraft to bring him to a co-pilot marginal level. Then we send him to areas for 6 months when he flies as third pilot. He is then brought back to the training establishment and he goes through another set of training procedures involving a lot of training and flying. All this takes 1 to 1-1/2 years. Then we consider him fit for route flying as co-pilot and even then he is still under check for a certain number of hours. The cost of all this training is borne by the Corporation. By the time a pilot comes to the stage of being a Captain of a Boeing, we have nearly spent Rs. 2 million on him."

10.72. In this connection, the Committee were also informed that recently the Director General of Civil Aviation has opened a school at Hyderabad for imparting training to candidates who wish to obtain Commercial Pilots Licence. The school, however, selects candidates who already hold Private Pilots Licence and a minimum of 100 hours of flying experience. The selected candidates undergo the remaining 150 hours of flying experience on chip Munk aircraft. The school charges rupees five thousand for the training and boarding and lodging charges are to be met by the candidates. Their programme is to take a 15 candidates per batch—two batch per year i.e. a total of 30 candidates per year.

10.73. The Corporation has also made a reference to the report submitted by the O.M. (Trg) on 25th October, 1971 to the Managing Director which has advocated tapping the source at the university level (Minimum qualifications Higher Secondary or equivalent with Physics and Mathematics). It has been suggested that the candidates should be attached with a flying club for their flying training and all the other navigational and technical courses should be conducted by Indian Airlines till they qualify for commercial Pilots'

Licence. Through elimination process the required number of candidates could be initiated into the services of Indian Airlines in the order of merit.

10.74. In this connection, the Committee also sought the views of the Ministry of Tourism and Civil Aviation. The Ministry informed in a written reply as follows:—

“The suggestion has been considered by the Corporation who feel that if they were to recruit candidates without any flying experience they would have to incur an expenditure of over Rs. 30,000|- on each to bring him to the level of a Commercial Pilot Licence holder. The present system to select pilots from the ranks of these and from the Air Force is working well and no change is contemplated. Moreover, the Flying Clubs scheme would have to continue even if the suggestion is implemented. This would lead to expenditure without commensurate benefits. Since there are already 400 unemployed commercial pilots in the country, such a scheme would swell their numbers.”

10.75. The Committee are unable to agree with the views of the Ministry. In view of heavy expenditure involved in getting the commercial pilots' licence from the Flying Club, it is difficult for anyone with limited means to enter into this profession although he may be otherwise talented and has the aptitude for it. The main reason advanced for the inability of the Corporation to provide initial training for pilots is that the Corporation would have to incur an expenditure of over Rs. 30,000 on each candidate to bring him to the level of a commercial pilot licence holder. The Committee, however, feel that keeping in view the heavy expenditure incurred by the Indian Airlines on the training of pilots after their selection by the Corporation, the expenditure to be incurred on their initial training should not be considered prohibitive. The Committee find that a school has already been opened by the Directorate General of Civil Aviation for imparting training to candidates for commercial pilots licence. However, the school selects candidates who already hold private pilots licence and have a minimum of 100 hours flying experience. The Committee suggest that the Government should examine the feasibility of expanding the scope of this training and the school should select some candidates direct from the universities after proper screening and aptitude, test, etc. for purpose of training them as pilots. The Committee also suggest that as a measure of safeguard, Government should consider obtaining from the trainees bonds in proper form enforcing that after completion of training the trainees would serve only Indian Airlines|Air India for a specified period.

XI

FINANCE AND ACCOUNTS

A. Capital Structure

11.1. The capital of the Corporation is contributed by Government from time to time and is divided equally between equity and loan capital. The capital so contributed by Government as on 31st March, 1972 amounted to Rs. 4277.16 lakhs.

Made up of Equity Capital	Rs.	21,38,57,980
Loan Capital at :		
6% per annum	Rs.	10,97,07,980
7% per annum	Rs.	9,91,50,000
1% per annum	Rs.	50,00,000
		Rs. 21,38,57,980

11.2. Government had waived the interest on the loan capital upto 1st October, 1966, but the Corporation decided to pay the interest voluntarily for the year 1964-65. The interest waived by Government on the loan capital upto 1st October, 1966 (excluding the incidence for 1964-65) amounted to Rs. 386.60 lakhs.

11.3. In addition to the capital contributed by Government, the Corporation has contracted the purchase of aircraft, spares etc. under deferred payment arrangements. The amount outstanding under these arrangements as on 31st March, 1972 stood at Rs. 28,08.28 lakhs.

B. Working results

11.4. The working results of the Corporation for the last 5 years are tabulated below:—

(Rupees in lakhs)

	1967-68	1968-69	1969-70	1970-71	1971-72
1	2	3	4	5	6
I. Operating Revenue					
(i) Traffic revenue (excluding subsidy)	3,260.58	3,813.03	4,360.07	4,182.97	5,221.02
(ii) Share of revenue on account of overflow of passengers to Air India	..	2.43	25.70	98.41	12.10

1	2	3	4	5	6
(iii) Subsidy for operation of certain routes	101·18	94·39	81·82	81·21	187·29
(iv) Incidental revenue	111·89	102·53	126·27	126·84	171·11
TOTAL	<u>3,473·65</u>	<u>4,012·38</u>	<u>4,593·86</u>	<u>4,449·43</u>	<u>5,591·52</u>
2. Non-operating Revenue					
(i) Interest on deposits & investments	29·15	17·75	14·77	28·08	26·74
(ii) Net surplus on assets sold or scrapped	11·91	10·10	47·72	..	43·13
(iii) Devaluation	..	..	56·05	..	..
(iv) Adjustment relating to previous years	..	..	..	11·81	23·58
TOTAL	<u>41·06</u>	<u>27·85</u>	<u>118·54</u>	<u>39·89</u>	<u>93·45</u>
3. Total Revenue (1+2)	3,514·71	4,040·23	4,712·40	4,489·32	5,684·97
4. Operating Expenses					
(i) Flying operations (including training)	1,535·73	1,586·27	1,797·39	1,864·65	2,332·48
(ii) Flight equipment maintenance and overhaul	666·78	765·45	882·13	957·23	1,184·36
(iii) Traffic sales & publicity	309·86	351·94	449·19	509·82	573·83
(iv) Passenger and cargo services	141·98	161·21	204·34	229·83	280·43
(v) Surface Transport	88·35	96·21	116·17	133·30	154·58
(vi) General admn. (including staff welfare)	246·40	282·26	346·01	433·28	517·11
(vii) Depreciation	330·77	402·85	453·78	506·88	635·25

	1	2	3	4	5	6
(viii) Write off of development expenditure and provision for doubtful debts		1'22	7'12	7'12	14'32	32'92
(ix) Provision for obsolescence of spares		20'00	..	..	..	..
TOTAL		<u>3,341'09</u>	<u>3,655'31</u>	<u>4,256'13</u>	<u>4,649'31</u>	<u>5,710'96</u>
5. Non-operating expenses						
(i) Interest on loan capital, financing charges etc.		199'82	219'18	222'77	297'61	415'16
(ii) Past period adjustments		..		₹5.07	..	..
(iii) Net deficit on Assets sold or scrapped		10'00	*13'78
TOTAL		<u>199'82</u>	<u>219'18</u>	<u>227'84</u>	<u>307'61</u>	<u>428'94</u>
6. Total expenses (4+5)		<u>3,540'91</u>	<u>₹3,874'49</u>	<u>4,483'97</u>	<u>4,956'92</u>	<u>6,139'90</u>
7. Operating profit (1-4)		(+)132'56	(+)357'07	(+)337'73	(-)193'83	(-)119'44
8. Net Profit/Loss (3-6)		(-)26'20	(+)165'74	(+)228'43	(-)467'60	(-)454'93
			(excluding development of rebate of Rs. 11'91 lakhs)			
9. Appropriation of net profit to :						
(i) Development rebate reserve		..	163'74	62'43	..	72'21
(ii) Reserve for taxation		..	2'00	..	..	..
(iii) General reserve (To meet the liabilities for likely increase in wages in 1969-70 on finalisation of negotiations)		166'00	..	..
10. Surplus (+) Loss(-) after provision for development Rebate, Reserve, Taxation, Indigenisation		(-)467'60	(-)527'14

*Loss on devaluation.

Operating Expenditure
(page 55 of A.R. as updated)

11.5. The details of the growth of operating expenditure and the operating revenue for the last 5 years are given in the statement below :—

(Rs. in lakhs)

Sl. No.	1967-68		1968-69		1969-70		1970-71		1971-72			
	Amount		Rate of Growth		Amount		Rate of Growth		Amount		Rate of Growth	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
1	2	3	4	5	6	7	8	9	10	11	12	
1.	Pay and allowances and P.F. contribution	1162.00	10.3	1253.81	7.9	1442.23	15.0	1573.80	9.1	1890.09	20.1	
2.	Insurance	83.79	1.8	99.52	18.8	120.52	21.1	203.92	69.2	334.30	63.9	
3.	Other staff costs	102.50	11.6	125.42	22.4	160.83	28.2	162.27	0.9	237.19	46.2	
4.	Fuel and oil	883.89	13.6	1018.12	15.2	1187.87	16.7	1123.26	(-)5.4	1330.57	18.5	
5.	Aircraft landing, housing & Parking fees	96.32	17.4	112.31	16.6	120.77	7.5	110.33	(-)8.6	138.86	25.9	
6.	Hire of Aircraft	178.88	234.0	30.25	(-)83.1	30.40	0.5	112.74	270.9	113.28	0.5	
7.	Materials consumed	152.89	(-)32.4	207.44	35.6	247.40	19.3	263.44	6.5	344.43	} 36.0	
8.	Outside repairs and services	16.82	(-)49.7	29.42	74.9	22.12	(-)24.8	32.01	45.0	57.36		
9.	Booking agency commission	87.59	34.3	98.96	13.0	120.66	21.9	121.24	0.5	141.95	17.2	

	1	2	3	4	5	6	7	8	9	10	11	12
10. Publicity and sales promotion			18.30	27.1	21.61	18.1	34.01	57.4	29.21	14.1	22.37	(-)-23.4
11. Food services, including hotel accommodation			65.49	26.6	76.88	17.4	97.05	26.2	104.21	7.4	100.27	(-)-3.8
12. Other expenses			139.98	6.1	173.97	24.3	213.15	22.5	294.65	38.2	334.11	13.4
13. Pre-operational and development expenditure			1.22	(-)-84.2	4.12	237.7	4.12	..	6.32	53.6	25.92	310.1
14. Depreciation (written off)			332.43	16.5	403.48	21.7	455.00	12.8	511.91	12.5	640.26	25.1
15. Obsolescence of spares			20.00	..	..	..	..	..	..	..	..	..
			3341.02	12.2	3655.31	9.4	4256.13@	16.4@	4649.32	9.2	5710.96	22.8

@After taking into account the incidence of likely increase of Rs. 166 lakhs in 1969-70, the overall increase would be 21 % as against 16.4 %

OPERATING REVENUE

	1967-68	1968-69	1969-70	1970-71	1971-72
Amount Rs.	3,473.65	4,012.38	4,593.86	4,449.43	5,691.52
Rate of Growth%	28.6	15.5	14.5	(-)-2.8	25.7
Amount Rs.					
Rate of Growth%					

Traffic revenue including subsidy for operation of certain routes and incidental revenue.

The break-up of other staff costs for 1970-71 and 1971-72 was as follows:—

	(Rs. in lakhs)	
	1970-71	1971-72
I. Special Travelling Allowance to Pilots	24.42	30.26
II. Lay-over allowance to Crew other than Pilots	12.22	32.12
III. Stay-over allowance to Pilots	4.17	5.90
IV. Meal allowance to Pilots.	11.54	21.70
V. Food Services to Crew	11.72	12.18
VI. Hotel accommodation to Crew	29.26	39.21
VII. Miscellaneous expenses to Crew at Central Training Establishment	1.04	1.17
VIII. Staff uniforms	32.07	46.86
IX. Travelling Expenses	19.73	23.38
X. Training	13.56	20.28
XI. P.F. Administrative expenses	0.09	0.12
XII. Other expenses of staff	2.46	4.01
	162.28	237.19

The Committee were informed that the increase in food services and hotel accommodation to crew was mainly due to increase in the hotel charges, general increase in the price of catering items. Increase in the Lay-over allowance rate to Flight Engineers from Rs. 40 to Rs. 60, increase in Lay over allowance to Cabin Attendants from to Rs. 60, increase in Lay-over allowance to Cabin Attendants from increase in staff uniform expenses was due to increase in cost of materials and improved quality cloth being provided to Drivers and Airhostesses. The increase in number of staff in the Operations and Traffic Departments had also accounted for the increase in the expenditure under Uniforms. The expenditure under Training and Travelling expenses increased mainly due to the increased activities of the Corporation and increase in the training programme undertaken for the various categories of staff.

11.6. A review of the working results of the Corporation since inception showed that it had been continuously incurring losses upto 31st March, 1959 which aggregated to Rs. 588.81 lakhs upto 31st March, 1959. These losses were, however, reimbursed in full by Government. The Committee were informed that to reorganise the capital structure of the Corporation, the Government decided to subsidise in full the losses of the Corporation upto 31st March, 1959 and to treat a part of capital as interest free. The profitability of the Corporation thereafter indicated the following trend:—

(Rupees in lakhs)

Year	Profit (+) Loss(—) before making provision for development rebate
1959-60	(+) 7.81
1960-61	(+) 4.68
1961-62	(+) 7.88
1962-63	(+) 60.91
1963-64	(+) 104.42
1964-65	(+) 133.01
1965-66	(+) 32.33
1966-67	(—) 283.50
1967-68	(—) 26.20
1968-69	(+) 165.74
1969-70	(+) 228.43
1970-71	(—) 467.60
1971-72	(—) 454.93

11.7. It will be seen from the above that there was steep decline in profitability of the Corporation in 1966-67 which was due to sharp rise of expenditure mainly under following headings:—

Incidence of increase in 1966-67
(Rs. in lakhs)

Pay and Allowances	245.81 (increased by 30.5% over 1965-66 figure due to wage revision)
Devaluation of rupee	200.00
Aircraft fuel and oil	139.00
Depreciation	62.55
Interest and financing charges	73.87

11.8. The profitability of the Corporation, however, picked up in 1967-68, 1968-69 and 1969-70 partly on account of enhancement of fares by 15 per cent (5 per cent in Eastern Region) effective from 1st August, 1967 and again by 7 per cent (5 per cent in Eastern Region and 8 per cent on routes operated by Caravelle) effective from 1st November, 1969 and partly on account of better utilisation of fleet and overall improvement in the passenger load factor.

11.9. The profitability of the Corporation however, again suffered a set back in 1970-71. The Corporation incurred an operating loss of Rs. 199.88 lakhs and a net loss of Rs. 467.60 lakhs in 1970-71 as against the net profit of Rs. 228.43 lakhs in 1969-70.

11.10. According to the Management, the adverse working results in 1970-71 were the results of:

- (a) decrease in operating revenue from Rs. 45.94 crores in 1969-70 to Rs. 44.49 crores in 1970-71 mainly on account of decline in passenger revenue despite better availability of fleet;

The drop in revenue was the result of labour unrest, strikes and lock-outs resulting in dislocations and cancellations of services, stoppage of over-flights on Pakistan Territory leading to suspension of services to Kabul and their curtailment in the Eastern Region.

- (b) Increase in operational expenditure from Rs. 42.56 crores in 1969-70 to Rs. 46.49 crores in 1970-71 mainly as a result of increase in salaries and wages, increase in insurance charges to cover hijacking losses, change in procedure of self-insurance increase in the fleet, increase in fuel prices, depreciation charges following the acquisition of Boeing 737 aircraft towards the end of year;
- (c) Increased utilisation of uneconomic Dakota aircraft consequent on the loss of 3 F-27 aircraft.
- (d) The services in the Eastern Sector had to be operated on circuitous routes, thereby involving tremendous additional cost (Rs. 30 lakhs for the six weeks in 1970-71 *vide* para 41 of the Annual Report for 1970-71).

11.11. An analysis of the working results for 1971-72 showed the following main features:—

- (i) The accumulated loss as on 31st March, 1972 amounted to Rs. 1,456.15 lakhs and represented 34 per cent of the equity and loan capital.
- (ii) As against an operating loss of Rs. 199.88 lakhs in 1970-71, the operating loss in 1971-72 amounted to Rs. 119.44 lakhs. There was an increase of Rs. 1142.09 lakhs in the operating revenue in 1971-72 over 1970-71 which was mainly contributed by increase in the passenger fares and mail rates and partly by increase in passengers and mail flown and partly on account of increase in the revenue under 'subsidy' and 'incidental revenue'.

The increase in Passenger revenue was from Rs. 37.20 crores in 1970-71 to Rs. 45.51 crores in 1971-72 and was due to the large number of passengers carried which increased from 21.61 lakhs in 1970-71 to 23.82 lakhs in 1971-72 an increase of 10 per cent, and increase in the passenger fares with effect from 1st July, 1971 by 15 per cent on domestic sectors excluding eastern sectors where it was 7 per cent. There was also an *ad hoc* increase of 20 per cent in the mail rates. There was also an *ad hoc* increase of 20 per cent in the mail rates. The operating results in 1971-72 did not, however, show any appreciable improvement over 1970-71 because of the increase in expenditure by Rs. 1061.65 lakhs mainly under the following heads:—

- (a) Pay and allowances by 20.1 per cent mainly because of the effect of wage revision.
- (b) Insurance premium by 63.9 per cent due to war and hijack premium and the full impact of hull insurance of Boeing 737 aircraft and increase in passenger insurance.
- (c) Fuel and oil by 18.5 per cent due to increase in duty and prices of fuel.
- (d) Material consumption by 30.7 per cent on account of increased utilisation of Boeings, and to the extent of Rs. 40 lakhs due to increase in flying hours from 1672 in 1970-71 to 16312 in 1971-72.
- (e) Depreciation by 25.1 per cent on account of increase in the assets value on receipt of all the Boeings.

11.12. The Committee were also informed that 'fuel and oil' is one of the major items of expenditure in the Corporation. During

the year 1971-72, fuel and oil accounted for 22.8 per cent of the total operating expenses. The percentage of fuel and oil cost to operating expenses in foreign airlines varied between 7 and 15. The wide disparity between the percentage obtaining in the Corporation and that in the foreign airlines was mainly due to higher rate of excise duty in India and also due to higher basic rate of fuel, transportation charges, sales tax, etc.

11.13. The total contribution made by the Corporation to the Central Exchequer by way of excise duty on aviation fuel and oil during the last five years was as follows:—

	Rs. lakhs
1967-68	251
1968-69	274
1969-70	354
1970-71	351
1971-72	409

11.14. During evidence, the representative of Indian Airlines stated that the sister Corporation, Air India did not have to bear this burden. If the Corporation was exempted from payment of fuel duty, their profitability position would improve to a great extent.

11.15. Asked about the comments of the Ministry on the suggestion of the Corporation, the Secretary of the Ministry stated that Air India was not required to pay duty due to the fact that their operations were international. The Indian Airlines also did not pay tax for its international operations. The question whether the Indian Airlines should be exempted from excise duty had been considered but the answer had not been favourable because of the repercussions involved as the other transport operators would also have to be exempted.

11.16. In this connection, it was noticed that one of the reasons for increase in expenditure on fuel oil was the higher rate of fuel

consumption in litres per hour in the case of Caravelle, Viscount and F-27 aircraft in 1971-72 compared to 1969-70 as shown below:—

Fuel consumption in litres per hour

	1969-70	1970-71	1971-72
Boeing—737 . . . . .	..	4,169·46	3,549·64
Caravelle	4,110·14	4,142·88	4,213·83
Viscount	1,443·48	1,444·04	1,467·11
F-27	817·91	814·67	833·67
HS-748	923·58	928·67	919·89
DC-3	361·38	350·65	343·47

11.17. The Committee also enquired the steps taken by the Corporation to improve their working results. They were informed that in 1971-72, intensive economy measures adopted by the Corporation which yielded a saving of approximately Rs. 1 crore under the following heads:—

Extent of savings

(Rs. in lakhs)

- | | |
|---|----|
| 1. Publicity account, Diaries, calenders and greeting cards were not printed and distributed | 6 |
| 2. Pay and Allowances including overtime—(as an economy measures, it was decided that most of the sanctioned posts should be kept unfilled till the end of the year) | 51 |
| 3. Other staff costs, such as Uniforms, Crew-outstation expenses travelling expenses etc. | 22 |
| 4. Other expenses such as Rent, rates and taxes, electricity and water charges, telephones and turnk calls, teleprinter and talex messages, maintenance of building, materials consumed, taxi hire and conveyance, hire of equipment etc. | 26 |

TOTAL

105

11.18. The Committee pointed out that in para 41 of the Annual Report for 1970-71 it had been stated that the Corporation had lodged a claim with Government for Rs. 30 lakhs on account of additional cost incurred as a result of circuitious operations in the eastern section, for reimbursement out of the Civil Aviation Development Fund. Asked whether this amount had been received, the Corporation informed that the claim for reimbursement of additional cost incurred in circuitious operations was preferred on 20th May, 1971. As against the Corporation's claim for approximately Rs. 2 crores, the Civil Aviation Development Fund Committee sanc-

tioned only Rs. 32 lakhs for the period from April to November, 1971.

11.19. It was noticed from "Facts for Management for January, 1973" that the Corporation estimated to make a profit of Rs. 295.27 lakhs during 1972-73. As against this, the Corporation has actually suffered a loss of Rs. 64.29 lakhs upto January, 1973. The Committee were informed that 'in spite of the improved performance of Indian Airlines expected in the second half of the year as a result of restoration of industrial peace, it might not be possible for the Corporation to achieve the budgetted target for the financial year because of a number of deviations from planned operations and increase in tax burden which was not anticipated at the time of the preparation of the budget. These deviations might be summarised as follows:—

- (i) Large number of cancellations due to labour disputes.
- (ii) Delay in introduction of services to Tirupati—from Madras, Bangalore and Hyderabad, taken for the Budget purpose (airfield was not ready).
- (iii) Delayed delivery of HS-748.
- (iv) Relatively large cancellation of services due to bird hits.
- (v) Suspension of Boeing 737 operation through Khajuraho due to repairs being carried out at Khajuraho airfield.
- (vi) Loss of one F-27 aircraft, VT-DME, in August, 1972.

11.20. Besides disruption of services in the month of April to September, 1972 unexpected increase in expenses added approximately Rs. 85 lakhs to Indian Airline's financial burden as follows:—

	Rs. lakhs
(i) Increased ex-gratia (bonus) for 1971-72 and 1972-73 .	60
(ii) Increase in landing fees from August to March, 1973 .	16
(iii) Increase in sales tax on Aviation fuel by Maharashtra Government from October, 1972 to March, 1973 .	9

Rs. 85 lakhs

11.21. However, it was stated that the Corporation was making vigorous efforts to compensate these losses by improving its performance.

11.22. The Committee are distressed to find that the Corporation had suffered an accumulated loss of Rs. 1456.15 lakhs as on 31st March, 1972 which means that 68 per cent of equity capital of the Corporation has been wiped out. The losses suffered in 1970-71 and

1971-72 alone amounted to Rs. 467.60 lakhs and Rs. 454.93 lakhs respectively. The Committee note that even in 1972-73, according to the budgetary anticipation, the Corporation expected to make a profit of Rs. 295.27 lakhs. However, the trend of actuals upto January, 1973 indicated a loss of Rs. 64.39 lakhs. An analysis of the operating expenditure and revenue during 1970-71 and 1971-72 indicated that the growth of operating expenditure had been at a faster rate than the operating revenue. Thus, while the operating revenue increased by Rs. 997.66 lakhs in 1971-72 as compared to 1969-70, the operating expenditure during the corresponding period increased by Rs. 1454.83 lakhs. The Committee have dealt with in the previous chapters of this Report, the various factors affecting the revenue and expenditure of the Corporation.

From the details of the growth of operating expenditure and operating revenue as given in Paragraph No. 11.5, it is seen that the increase in other staff costs had been to the extent of 46.2 per cent in 1971-72 as compared to 1970-71. From a break-up of the expenses under other staff costs, the Committee find that there was a phenomenal increase under (i) lay-over allowance to crew other than pilots; (ii) meals allowance to pilots (iii) hotel accommodation to crew. The Committee feel that there is scope for affecting economy in the expenditure under these heads by rationalisation.

According to the Corporation one of the reasons affecting the revenue is its heavy expenditure on excise duty and sales tax on fuel and oil. The Committee find that there has been an increase in the rate of consumption of fuel per hour in the case of Caravelle, Viscount and F-27 aircraft in 1971-72 as compared to 1969-70. The Committee need hardly stress that unless effective remedial measures are taken by the Corporation to improve its working results through stricter control on major items of expenditure including fuel oil, optimum utilisation of aircraft, increased productivity and control on staff strength, standardisation and modernisation of the fleet and rationalisation of route pattern etc. it would be difficult for the Corporation to remain a viable economic entity or to make a positive contribution towards the internal resources for financing its Five Year Plans without becoming a burden on the national exchequer.

C. Costing System

11.23. The Corporation follows job costing procedure for the aircraft overhaul and maintenance jobs and surface transport, while operating cost procedure is in vogue for ascertaining the cost of operation per flying hour for each type of aircraft.

Non-Fixation of standard cost

11.24. As early as in 1959 the Wheatcroft Committee had emphasised the need for determining the standard cost of operation. The Corporation, however, decided in August, 1967 that in the changing circumstances no useful purpose would be served by laying down any standard cost as the cost of operation has been affected by devaluation of the rupee, frequent revision of pay and allowances of employees, increase in exercise duty on aviation gasoline, etc. It was also proposed that until the fleet of the Corporation had been standardised and the cost of operation stabilised, the budget cost of operation for each year be taken as the standard cost and no elaborate determination of standard cost be undertaken.

11.25. The Corporation however, informed Audit in October, 1971 that "the feasibility of standard costing for calculating the operating cost of each type of aircraft is being examined as part of the overall review of the costing system now being undertaken."

11.26. In the operation of the system of costing, following deficiencies have been noticed:—

1. *Aircraft overhaul and maintenance cost*

- (i) There has been delay ranging from 3 to 4 months in the submission of cost data by the Regions.
- (ii) The system of maintenance of Log Books of machines has not been introduced.
- (iii) The procedure of submission of daily statements of typewise/categorywise analysis of labour hours (normal and overtime) to the shop-in-charge for scrutiny is not in vogue in the Bombay work-shop.
- (iv) There is no procedure for periodical review of the overhaul cost of various accessories and submission of the Report to the Management for control on cost. Component overhaul cost statements are also not being prepared in Bombay and Madras.
- (v) There is no system of periodical submission of the Report to the General Manager /Chairman in respect of large variations between actual and standard labour hours consumed in workshops on major jobs.

2. *Surface transport cost*

- (i) There is no procedure for a periodical review of charges fixed for the hiring of Corporation's vehicles to outside parties and staff on the basis of actual operating cost. The outside part rates which were fixed in 1965 were revised only in August, 1970.

- (ii) The Corporation has not worked out the standard cost of operation per Km. for its surface transport fleet.
- (iii) In Calcutta Region, no Log Books, History Sheet of Vehicles and tyres performance records are maintained.

11.27. The Corporation informed Audit in October, 1971 as follows:—

“We are aware of the deficiencies of the Costing system. Certain changes are being considered. These changes will need prior consultations with the Ministry of Finance, as our cost data form the basis for payment of subsidy/subvention from the Civil Aviation Development Fund.”

11.28. The Committee enquired whether the overall review of costing system has since been undertaken. They were informed that the overall review of costing system had been entrusted to one of their Ex-Financial Advisers. He had since prepared draft procedure for Aircraft Engineering Department cost and Aircraft type-wise cost for Operation Department.

He had also submitted his reports on the Costing System. The Reports were under consideration of Management. The question of introduction of Standard Costing would have to be considered in the light of that report. Certain difficulties were anticipated in the introduction of Standard Costing because of the nature of the operations as Standard Costing was more suited to production units involving repetitive operations.

11.29. As regards the various deficiencies pointed out in the work shops, the Committee were informed that the delay in the submission of cost data was due to paucity of staff. For the same reason it had not been possible for the Bombay workshop to submit daily statements of labour hours (normal and overtime) to the shop-in-charge for scrutiny. The failure of the Bombay and Madras workshops to prepare periodical statement of the overhaul cost of various components was also attributed to the paucity of staff. It was stated that these deficiencies would be made up after the introduction of the revised procedure which was already on hand.

11.30. As regards the maintenance of Log Books of machines in the workshop, it was stated that compared to the aircraft and engines (for which full details were kept) workshop plant and machinery, ramp equipment and such assets were of comparatively low value and were required usually for occasional use to ensure high utilisation of the former. Not much purpose would be served by maintaining log books. The Committee were informed that this question was however, being reviewed.

11.31. The Committee point out that according to the Audit Report, there no system of periodical submission of reports to the General Manager|Chairman in respect of large variation between actual and standard labour hours consumed in workshops on major jobs. The Corporation stated that periodical labour statements were submitted in the base workshop to the Chief Engineer and his officers. It would serve no purpose to submit these details to General Manager (no Managing Director) or Chairman. At the top managerial level control was exercised through overall figures which reported in the monthly "Facts for Management."

11.32. As regards surface transport cost it was admitted that necessary records to an acceptable standard were not being maintained in the Surface Transport Department particularly at Calcutta due to the reason that the required man-power for this purpose was not available. According to the Corporation it had not been possible to provide additional men due to an awkward financial situation which Indian Airlines had been facing for some time. Necessary steps would be taken to augment the manpower so that the shortcomings/deficiencies are avoided.

11.33. The Committee were also informed that in 1970 it was decided to carry out a yearly review of the operating cost figures on Indian Airlines Vehicles with that of the hiring charges fixed for outside parties as well as staff. Revision in charges was not undertaken on the basis of such yearly review in consultation with Finance Department (cost accounts) at Headquarters.

11.34. The Committee are distressed to note that there are several deficiencies in the operation of the system of costing especially in the workshops and surface transport Departments. The Committee are surprised that even the system of maintenance of log books of workshop machinery submission of periodical returns of labour hours or overhaul cost have not been in vogue. There is not even a system of periodical submission of Reports in respect of large variation between actual and standard labour hours in the workshops. The Committee are surprised as to how any cost control is being exercised by the management in the absence of such basic information. One of the reasons advanced for some of these deficiencies is the paucity of staff. In the opinion of the Committee this reason can hardly be considered plausible. The Committee regret to observe that though the Corporation was aware of these deficiencies in the costing system, it was only recently that the Corporation chose to have a review of the costing system conducted. The report of such a review had been recently received and was stated to be under examination of the Management. The Committee recommend that the Corporation should complete the exami-

nation of the Report expeditiously and take steps to streamline the entire costing system.

11.35. The Committee are also surprised to find that although the Wheat Croft Committee emphasised as early as 1955 the need of determining the standard cost of operation, it is only recently that the feasibility of introducing standard costing is being examined as a part of overall review of the costing system. The Committee feel that the least that the Corporation could have done was to introduce such a system of standard costing in the interest of overall cost control.

D. Credit Control

11.36. The following table indicates the volume of book debts and the total operating revenue for the last 3 years:—

(Rs. in lakhs)						
As on	Consi- dered Good	Consi- dered Doubtful	Reserve for Doubtful Debts.	Total	Operating Revenue	Percentage of Debtors to Operating Revenue
1	2	3	4	5	6	7
31-3-1970	717.03	14.25	20.24	731.28	4593.86	15.9
31-3-1971	611.59	26.68	27.79	637.27	4449.43	14.3
31-3-1972	967.23	24.38	34.51	991.61	5591.52	17.7

NOTES. 1. Sundry Debtors have been arrived at after deducting credit balances aggregating Rs. 13.67 lakhs in 1971-72, which remain to be linked.

2. The Sundry Debtors for the year 1971-72 include Rs. 182.79 lakhs outstanding against Sundry parties which have not been reconciled.

11.37. The details of debts outstanding for more than one year as on 31st March, 1972 are indicated below:—

(Rs. in lakhs)			
	Government Department	Others	Total
1. Debts outstanding for more than 1 year but less than 2 years	21.92	6.68	28.60
2. Debts outstanding for two years and more but less than 3 years	11.46	9.46	20.92
3. Debts outstanding for 3 years and more	29.58	9.16	38.74

The figures of Sundry Debtors as on 31st March, 1972 stands understated to the extent of Rs. 12.41 lakhs (Overstated to the extent of

Rs. 3.19 lakhs and understated to extent of 15.60 lakhs) on account of non-adjustment or erroneous adjustments.

The party-wise and age-wise break-up is given in Appendices XIV & XV.

11.38. It will be seen from the above that the percentage of debtors to the operating revenue had gone up from 15.9 per cent at the end of 1969-70 to 17.7 per cent at the end of 1971-72. The amount of debts outstanding for 3 years and more had also gone up from Rs. 17.90 lakhs to Rs. 38.74 lakhs during the corresponding period.

11.39. The Committee enquired whether there were any old debts which were disputed by the clients and the efforts made to realise the outstanding dues. They were informed that "there are a few cases where parties had disputed the debts viz. Government of Orissa, Airways London, U.K., CATC, IAF, etc. Besides constant follow up, matter are referred to the concerned Ministry in the case of Government parties and in the case of private parties legal actions are taken.

11.40. If the list of outstanding debts are analysed, it will be seen more than 50 per cent of the debts are outstanding against DGP&T. Central|State Governments towards subsidy, Airlines and Agents. These debts as at the end of a financial year are normally cleared within one or two months of the next financial year. The percentage debts to operating revenue are considered within reasonable limits. Incidentally, it may be pointed out that the percentage of Air India's outstanding debts to Operating Revenue as on 31-3-1971 stood at approximately 15 per cent."

11.41. The Committee pointed out that inspite of the fact that the billing system had been computerised, the objective of raising the bills in respect of credit transactions within 15 days (if not earlier) from the date of transactions instead of 2|3 months which were being taken manually, had not been achieved. It took about 45 days for the computer section to despatch the bills to the Regions and thereafter another 15 to 20 days for the Regions to despatch the same to the parties concerned. In this connection, the Management informed Audit in June, 1970, as follows:—

"During the years under review the time lag remained to be roughly between 15 to 40 days. This was so because enforcement of certain disciplines like getting the Sale Returns to computer centre in an even flow from all points of sale and few other allied disciplines is a difficult and

time consuming process. It is, however, expected that in the course of next 2/3 months, time-lag will be reduced to what was originally planned."

11.42. Asked whether this objective had been achieved, the Corporation stated that the entire process of raising the documents at out-stations, screening them at regional accounting offices, despatching the documents to Computer Division at Delhi through Central Revenue Accounts, raising the bills against the parties and finally despatching bills to parties took a long time.

The time lag had not remained uniform during 1970-71 and 1971-72. The Management, however, was not happy about the situation even though certain improvements were noticed. Certain effective measures like decentralising the refunds against credit tickets and computerised billing at regional levels were being taken to facilitate the parties and reduce the time lag in raising the bills. In this connection, it was also mentioned that the process of billing though the magnitude dues might appear to be heavy, a large portion of the dues got actually cleared, when the parties made the payments without waiting for the bills.

11.43. Asked about the extent of credit period allowed to agents and other airlines and whether the system of follow up of dues was adequate, the Committee were informed that credit agents despatched their fortnightly sales by the end of the following week. In respect of Airlines, monthly bills were raised and submitted to I.A.T.A. Clearing House at London for payment.

The follow up of the dues was a continuous process which took place at the regional level. Regional Financial Advisers and Chief Accounts Officers were constantly reviewing the cases. Where parties failed to respond to the follow-up the same were brought to the notice of the Regional Commercial Managers and Regional Directors. Sometimes, extreme cases were even referred to Headquarters.

11.44. The Committee were also informed that action to stop credit facility to Ministry/Department of Government was also taken when dues remained outstanding for a very long period. Credit had been refused from time to time to various Central or State departments and Organisations which had not cleared their dues over a long period. Credit facilities were resorted only when dues were cleared. The Corporation had stopped credit facilities at present to 125 parties e.g., Ministry of Industrial Development, Departments of Health and Family Planning of the Ministry of Health and Family Planning Director General Health Services, Department of Petroleum and Chemicals etc.

11.45 The Committee also enquired the reasons for debts amounting to Rs. 24.38 lakhs being considered as doubtful of recovery by the Corporation. They were informed that a list of parties against whom the amount was outstanding as on 31-3-1972 was attached (Appendix XVI). The reasons for the Corporation considering the amount as doubtful in the case of some of the parties were as given below:—

“Government parties:

Government of Orissa—Rs. 4.05 lakhs.

The payment of subsidy to operate Calcutta|Bhubneshwar route was disputed by the State Government when the change in aircraft was done in 1964-65 and 1965-66 and the amount is carried forward for last so many years without any chance of recovery and hence considered doubtful. The route has since been taken under CADF subsidy.

Ministry of Home Affairs—Rs. 5.90 lakhs

The amount pertains to subsidy to operate Calcutta|Port-Blair route. Corporation raised bills for larger amount on the basis of actual loss to operate the route. The Ministry has been paying on the basis of Rs. 3 lakhs per year. The outstanding amount represents the balance amount for the years 1966-67 and 1967-38.

Airlines

*M|s. Thai Airways—Rs. 0.11 lakhs**

This amount is arising out normal inter-airlines transactions. M|s. Airways is a non-IATA carrier and hence dues against them are not cleared through Clearing House, London. The matter was taken up with our Indian Embassy, Bangkok, but without any substantial result.

Airworks London, U.K.—Rs. 3.00 lakhs.

A Hermes aircraft belonging to this party landed on top of an Indian Airlines DC-3 aircraft ready for take-off at Dum Dum in 1957. I.A. aircraft was a total loss and 4 crew members were killed. The claim is arising out of a suit filed against the party. The party has filed a counter suit against the Government of India for family navigational

*According to Audit the figure is Rs. 0.24 lakhs as per books of the Corporation.

directions from the Control Tower. Since the case is very old, the same has been classified as Doubtful Debts.

*M/s. RNAC, Kathmandu—Rs. 0.72 lakhs**

The claim is arising out of certain engineering services rendered to the aircraft of the airline and also training imparted to their pilots. In spite of repeated reminders, no response is forthcoming."

11.46. The Committee enquired whether any action was taken by the Ministry of Tourism and Civil Aviation for the recovery of the outstanding debts against the foreign airlines mentioned above. The Ministry informed the Committee as follows:—

M/s. Thai Airways—Rs. 0.11 lakhs

This case of Indian Airlines dues against Thai Airways was brought to the notice of this Ministry in January, 1963 and the matter was taken up with the Royal Thai Government through diplomatic channels. Long drawn out correspondence has now revealed that the claim of Indian Airlines is not acceptable to Thai Airways on the plea that Indian Airlines as successor of Himalayan Aviation Limited owe a sum of Rs. 1.00 lakhs to the Thai Airways which is more than the claim preferred by the Corporation.

Airworks London, U.K.—Rs. 3.00 lakhs

Indian Airlines filed a suit against *M/s. Airworks Ltd.* in the Court of IInd Sub-Judge, 24 Parganas, Alipore claiming a sum of Rs. 1,00,000.00 as compensation in respect of their crew killed in an accident (Money Suit No. 18 of 1958). The Corporation also claimed a sum of Rs. 6,61,519 in respect of the loss of the Dakota. *M/s. Airworks Ltd.* filed a counter suit against the Union of India and Indian Airlines claiming damages amounting to Rs. 17,23,346.84. However, Airworks were prepared to withdraw their claim provided the Indian Airlines also did likewise, both the parties bearing their own costs. In June 1967, Indian Airlines intimated the Director General of Civil Aviation that although the Corporation had a clear case against *M/s. Airworks Ltd.*, in view of the long time that had elapsed and on practical considerations, it had decided to reach a settlement with the party out of Court for Rs. 3.00 lakhs. The

*According to Audit an amount of Rs. 1,03,372 was outstanding against the party.

Corporation had written to their Calcutta area to ask their legal advisers to write to M/s. Sandersons & Morgans, the legal agents of Air Works Ltd., in this respect. However, as no definite reply was received from the latter, the Corporation have advised their solicitor to take proceedings to bring the suit to a hearing as this was likely to put some pressure on Airworks Ltd. The matter is still sub-judice.

M/s. RNAC Kathmandu—Rs. 0.72 lakhs

The matter is being pursued with RNAC.”

11.47. The Committee also enquired the reasons for the non-payment of an amount of Rs. 4.30 lakhs outstanding against the Customs Department. They were informed that this amount represented the value of claims in respect of the duty charged in excess by the Customs Authorities, as admitted by them but not refunded pending settlement of the duty levied by them on fuel brought by the aircraft from the foreign countries. The question of excise duty on aviation fuel on foreign flights, both the drawback and payment is under adjustment on the basis of instructions issued by the Central Board of Excise and Customs. The claim for Rs. 4.30 lakhs was separately being pursued.

11.48. The Committee view with concern the heavy amount outstanding against the Sundry Debtors which had increased from Rs. 717.03 lakhs as on 31st March, 1970 to Rs. 967.23 lakhs on 31st March, 1972. The percentage of debtors to operating revenue had also increased from 15.9 to 17.7 during the corresponding period. The Committee also find that the debts outstanding for 3 years and more had gone up from Rs. 17.90 lakhs as on 31st March, 1970 to Rs. 38.74 lakhs on 31st March, 1972. Out of these debts worth Rs. 24.38 lakhs were considered doubtful of recovery.

The heavy outstandings result in avoidable loss to the Corporation by way of interest charges on the funds locked up. It is therefore, imperative that effective steps are taken by the Corporation to realise expeditiously the outstanding dues, especially those which have remained unpaid for long. A review should be made of doubtful debts at least once every six months so that all possible steps are taken to recover the amounts.

11.49. In this connection, the Committee also find that in spite of the fact that the billing system had been computerised, it took the

Corporation 60 to 65 days to despatch the bills to the parties concerned although originally it was planned to raise the bills within 15 days from the date of transactions. The Committee were assured that certain steps were being taken to reduce the time lag in raising the bills. They desire that the time taken in raising the bills should be periodically reviewed and effective steps taken to achieve the objective of raising the bills in respect of credit transactions within 15 days from the date of transactions, if not earlier.

E. Internal Audit

11.50. The Internal Audit Department has branches attached to all regional offices and its working is supervised by a Chief Audit Officer who is directly responsible to the General Manager. In addition to the routine audit work, the Department has also been entrusted with the physical verification of stores and assets.

11.51. The following points in the working of the Internal Audit Department were noticed by Audit:—

- (a) The Internal Audit Department of the Corporation is being re-oriented so that apart from normal audit, it may become an effective instrument for management control and review of procedures, etc.
- (b) No manual prescribing its functions and scope, periodicity of reports, minimum programme of audit for the regional offices, etc. has been prepared. It is, however, understood that departmental instructions are issued from time to time, in this regard.
- (c) The Internal Audit does not cover the costing department and the data compiled by it are not checked.
- (d) According to the existing instructions, each station of the Corporation is required to be inspected by the Internal Audit at least once in two years. The Internal Audit of 38 stations has, however, not been conducted even once since their establishment.

11.52. The Ministry informed Audit in October, 1971 that this could not be done due to paucity of staff. Efforts were being made to cover all the stations once in two years.

11.53. The Committee enquired during evidence, as to why many of the stations were not audited at all during all these years. They were informed that many of the stations were small and it was not

considered worthwhile to send persons there. There was also some shortage of staff in the Internal Audit Department which was now being overcome. Further, as the stations were not self-accounting units and all records came to the regional office there was no substantial lacuna. However, in the last year or so the number of cash transactions at the stations had increased because they were charging for surface transport. But still there were a few stations which were small and having audited them once or twice they might decide to stop auditing atleast for the time being.

11.54. The Committee were also informed that the re-organised Internal Audit Programme covered all the important aspects of the working of the Corporation. The Audit Programme was changed from time to time according to the needs and requirements. Certain aspects including inspection of outstations and other units and review of the working of departments would now be given more attention as soon as the additional officers and staff were in position.

11.55. The Committee also enquired whether the audit manual had been issued. They were informed that the draft Audit Manual had been implemented. It was intended to finalise the Manual after gaining experience of its working. This was presently in hand and was likely to be completed shortly.

11.56. The Committee regret to note that although according to the existing instructions, each station of the Corporation is required to be inspected by the Internal Audit at least once in two years, the audit of 38 stations* had not been conducted by the Internal Audit Department of the Corporation even once since their establishment. The Costing Department and the data compiled by it were also not being audited by the Internal Audit Department. The paucity of staff could hardly be considered as a satisfactory reason for these failures. The Committee hope that as the Internal Audit Department has now been reorganised, it would become an effective instrument for management control and the auditing of all the stations would be regularly done as per the existing instructions.

11.57. The Committee need hardly emphasise the importance of checking the data compiled by the Costing Department as they form the basis for the different aspect of financial control by the Management.

11.58. The Committee also hope that with the experience gained so far in internal audit, it would be possible for the Corporation to finalise the Internal Manual soon.

*At the time of factual verification the Indian Airlines informed that 34 stations have since been inspected.

XII

IMPORT OF CARAVELLE GROUND HANDLING EQUIPMENT

12.1. The Engineering Manager of the Corporation with a view to utilising the funds available upto 31st December, 1966 under the French credit decided in May/September, 1966 to import certain items of Caravelle ground handling equipment from France without any indents from the Regional offices except that for Bombay. The ordtrs for the said equipment valued at Rs. 89.88 lakhs (including foreign exchange component of Rs. 56.12 lakhs) were released by the Controller of Stores on the basis of indents submitted by the Engineering Department. Neither any specific sanction of the Board nor any financial approval of the Financial Controller or the General Manager for the purchase of ground handling equipment was obtained. Prior approval of the Government of India as required under Section 35(a) of the Air Corporations Act for the purchase of equipment exceeding Rs. 15 lakhs was also not obtained.

12.2. The details of the equipment received, utilisation thereof, if any together with the regions where these are lying unutilised, as furnished by the Management to Audit are given in Appendix XVII.

12.3. According to Audit, in the absence of any records being maintained, the extent of utilisation of the equipment as indicated by the Management could not be verified in Audit. However, even on the basis of available data incorporated in Appendix XVII, it is seen that equipment worth Rs. 65.95 lakhs (including foreign exchange component of Rs. 40.73 lakhs) is not being fully utilised.

12.4. On 28th May, 1970 the Financial Controller informed Audit that "we ourselves are not feeling happy over certain aspects of these transactions and are proposing to institute a thorough investigation into them."

12.5. The Ministry informed Audit in October, 1971 as follows:—

"The matter is under consideration of the Management. It may, however, be stated that ex-post-facto approval of the Board was obtained for the purchase of this equipment (vide Minutes of the Board meeting No. Seventy-fourth held on 27th February, 1967)".

12.6. In this connection, from the documents made available to the Committee by the Corporation it is seen that the following items of Caravelle ground handling equipment were purchased from foreign suppliers and were received in India between January and June, 1968.

Item	Quantity	(Rs. in lakhs) Cost
1. Hyd. Elevator	4	18.60
2. Elevators Marrel	6	21.32
3. Diesel Engine Fork Lift Trucks	5	17.54
4. Tracma Towing Tractor TD 500	7	26.90
5. Toilet servicing Unit	5	5.52
		89.88

12.7. The sequence of events had been as follows:—

On 28th July, 1965, the Chief Commercial Manager of the Corporation sent a note to the then Engineering Manager stating inter-alia that in the meeting that they had with the Chairman on Sunday, the 18th July, the Chairman wanted that since they had some French credit available the same should be utilised for purchase of ground handling and ramp equipment. In reply to this note, the Engineering Manager stated that "the amount of French credit still unutilised is being worked out by the Controller of Stores. Due to acute shortage of foreign exchange I do not imagine there will be much left over for aircraft spare parts for catering equipment." No further action was taken on this note.

12.8. However, on 8/9-3-1966 the Engineering Manager wrote a D.O. letter to the Bombay Area Manager pointing out that "in the last Area Managers' meeting, the Chairman had desired that since we have sufficient funds against French credit, we could utilise this for some ground handling equipment urgently needed for Caravelle project. This included items like towing tractors, servicing trollies, catering trollies, self driven passenger steps, etc. to. As far as I could remember the list of such equipment as recommended by M/s. Sud Aviation for use on the Caravelle aircraft was handed over to you for use at Bombay. You may select the most required items from that list but make sure these are of French manufacture because then only funds available can be utilised for this equipment. Please treat this as urgent as the shipments against this order have to be made before 31st March, 1966."

12.9. The Area Manager sent a Teleprinter message on 19th April, 1966 stating that they were handicapped for placing order for French-made equipment as details were not available although amount of Rs. 55 lakhs remained unutilised. He suggested that, if approved, one representative of Indian Airlines (Mr. Conche) could be sent to Paris to collect all the information to enable them to place the order at the earliest.

12.10. To this the Engineering Manager replied on 20th April, 1966 that two representatives of M/s. Sub Aviation were coming to Delhi on 26th April, 1966 for discussions. The supply of French ground equipment was one of the subjects they would be discussing with them. Therefore, the question of Mr. Conche going to Paris to collect this information could be decided after the visit of "Mr. Bantnas" the representative of M/s. Sud Aviation.

12.11. Subsequently indents were placed on 30th May, 1966 by the Bombay Region through the Engineering Manager on Controller of Stores. The quantities of some items were later increased by the Engineering Manager as indicated in the table below:—

Item	Date of Indent by Bombay Regn.	Original Nos.	No. altered	Remarks
1. Tracma Tractor	27-5-66	5	7	Increased to 7 <i>vide</i> E. M.'s Note dated 25/26th July, 1966.
2. Elevator Marrel	27-5-66	5	6	Quantity increased by Ofg. A. M., Bombay <i>vide</i> his T.P. of 21-7-66. followed by Em's note dated 25/26th July, 1966.
3. Hyd. Elevator	27-5-66	1	4	Alteration of numbers made by E.M.
4. Toilet Servicing Unit	9-8-66	5	5	..
5. Forklifts	13-9-66	5	5	..

12.12 In this connection the Committee were informed in a written note as follows:—

(a) No technical assessment of the need for these items of equipment seems to have been made. By 1966, the Caravelles had been with us for about two years and it was more than likely that our officers in the Regions had some knowledge of the difficulties they were experiencing and the type of equipment needed to improve matters. In actual fact, many of these items were not used for long after they were received and a few pieces are still not being put to any substantial use (Appendix XVIII). As technical

assessment may have indicated that while some of the items or one or two numbers of each item were required, the entire quantity ordered was not necessary. No assessment of the likely benefits in relation to the total cost, including Sud Aviation's commission, packing and forwarding charges, freight, customs duty, etc. appears to have been made.

(b) There is no indication in the files that the Engineering Manager asked the Bombay Region as to where the names and prices were got. There is also no indication that he consulted C.Es|A.Ms. of other Regions before increasing the quantities of certain items indented for their regions. Further, the Toilet Servicing Unit and the Marrel Elevator were meant for the Commercial Department but that Department was apparently not consulted in regard to the need for this equipment.

(c) Competitive quotations were not invited. Even in regard to the quotations received certain peculiarities were noted, as detailed below:—

1. *Tracma Tractors*

Indent for 5 Tracma Tractors was raised by Bombay Region on 27-5-1966. Quotation was forwarded by French suppliers M|s. Tracma in their letter dated 10th June, 1966. No query nor demand for quotation from Indian Airlines is mentioned in the Suppliers' letter. The number was raised to 7 by Engineering Manager on 25 26th July.

2. *Hyd. Elevator:*

Indent for 1 unit, was raised by Bombay on 27-5-1966 will all details including price. Quotation was received from M|s. Tracma by cable on 29th June, 1966. Quantity increased by Engineering Manager H.Q. to 4.

3. *Marrel Elevator*

Indent raised by Bombay on 27-5-1966. Quotation from M|s. Sinpar on 25-5-1966 without any reference from Indian Airlines received by Engineering Manager. Controller of Stores cabled for price on 27-6-1966.

4. *Toilet Servicing Unit*

S.T.M. forwarded quotations vide letter No. J.W.|JH dated 17th June addressed to the Controller of Stores. Letter was received in Stores Branch on 1-8-1966. This quotation refers to the visit of one Monsieur Gupta. Order was released on 6th August by Stores Department. Indent was raised on 9th August, by Bombay region.

5. Diesel Engine Forklift:

Indent from Bombay on 13-9-1966. Fenwick Manutations letter giving quotation dated 23rd August, 1966 without any reference from Indian Airlines.

The major points are:—

- (i) Quotations were received apparently unsolicited. The circumstances which led the suppliers to quote are not clear.
- (ii) Indents have been raised with details, mostly correct in all particulars, before the quotations with specification, price, etc., were received.

(d) Papers are not available where prior concurrence of the Finance Department or approval of the G.M. or the Chairman to the actual purchase was obtained. In fact, it has been contended that these items being part of the Caravelle Project, neither financial concurrence nor approval to individual item was necessary.

(e) On receipt of these indents, the Stores Department did not ask whether financial concurrence or G.M.'s approval had been obtained, before they sought clearance of the D.G.T.D. to the import of these items and placed orders as given below:—

Item	Date of Indent from Bombay	Date on which applied to DGTD	Date of clearance by DGTD	Date on which orders placed	
1. Tracma Tractor*	27-5-66	1-7-66	4-7-68	9-7-66	
2. Marrel Elevator	27-5-66	20-6-66	25-6-66	30-6-66	***
3. Hyd. Elevator	27-5-66	20-6-66	25-6-66	30-6-66	
4. Toilet Servicing Unit	9-8-66	27-8-66	5-9-66	6-8-66	@
5. Diesel Engine Forklift	13-9-66	20-9-66	21-9-66	22-9-66	**

*Further order for two Tracma Tractors was released vide letter No. HQ[663-C-EQP/33/9743 dated 6-8-66.

***Quantity increased from 5 units to 6 by Cable to M[s. Sinpar on 27-7-66.

@Circumstances in which order was released before the receipt of the indent are not clear..

**Cable confirming the order was sent to the manufacturers on 20-9-66, followed by formal order on 22-9-66.

In many cases clearance from D.G.T.D. was obtained within a few days of the application being sent. In the case of Diesel Engine Forklift, the order was placed by cable before the D.G.T.D.'s clearance was received. Only copies of the D.G.T.D.'s letters are available in our files and the originals were not available.

(f) The Stores Department also did not query whether other suppliers were available, who could supply the same items for lower prices, a function normally performed by the Stores Department. While there was some limitation in that the items had to be French manufacture, there was no reason to consider them as proprietary in nature. It is understood that there were, and still are, in France a number of firms manufacturing ground handling equipment, and an enquiry or request for quotations from them would have been justified.

12.13 The Committee enquired as to whether any objection was raised on this deal by the Internal Audit Department. They were informed that questions regarding low utilisation|non-utilisation of equipment had been raised by Internal Audit since May, 1967. Eventually, a formal report was submitted to the Management through the Internal Audit Report on the accounts of the year 1968-69.

12.14. As regards the action taken by the Corporation thereafter, the Committee were informed that the matter came to the notice of the higher management in July, 1969. Consequently, the then Chief Engineer, Headquarters was asked to look into the matter. He submitted his Report in November, 1969 confirming the various lapses in placing of orders. He observed *inter-alia* as follows:—

- (a) "there is no evidence in the Engineering files (both Hqrs. and Bombay) of prior technical assessment of the French equipment in question as to suitability, utility and etc. at each station for which it was intended. This assessment was all the more necessary as we have indigenous sources of supply of this equipment....."
- (b) "There is also no evidence in the files of Engineering (both Hqrs. and Bombay) of calling for competitive quotations which, I think, is a mandatory requirement particularly for ground equipment and other Capital items."
- (c) "Could we not fabricate Toilet Servicing Units ourselves when we could manufacture more complicated equipment such as Mobile Hydraulically Adjustable Passenger steps? We have never, in the past imported Toilet Ser-

ving Equipment and locally manufactured equipment costing a few thousands instead of lakhs was in use until about a year or so (as per statement of Chief Engineer) and working satisfactorily."

12.15 At that stage it was decided that the Chief Audit Officer should study all the relevant correspondence and the points brought out by the Chief Engineer. The matter was later kept pending till the appointment of the Chief Vigilance Officer and the new Chief Audit Officer in June, 1970.

12.16 The records were then looked by the Chief Vigilance Officer and the Chief Audit Officer and they discovered that a number of points were not clear. On 27th August, 1970, two letters were addressed by then General Manager to the then Engineering Manager and Controller of Stores and Supplies, asking for information on various points brought out. After some further correspondence, these officers were issued charge-sheets on the 20th January, 1971 by the then Chairman. These were replied to by the Engineering Manager on the 1st March, 1971 and by the Controller of Stores and Supplies on 15th April, 1971. While these matters were under consideration and the Legal Adviser was also being consulted, there was a change in the top management; the new Chairman and General Manager took over on the 1st August, 1971. Thereafter, the matter was brought to their notice and while they were considering it and going through the papers, the Audit Board brought up the subject in its Review.

12.17 This matter was considered by the Secretary, Ministry of Tourism and Civil Aviation in November, 1971 in connection with the Ministry's reply to the Review by the Audit Board. After considering all aspects, the Secretary of the Ministry referred the case to C.B.I. vide D.O. No. 6273—SAT/71 dated 9-11-1971 for instituting a thorough probe into these purchases. In this connection, the following observations of the Secretary of the Ministry in his D.O. letter dated 9-11-1971 to the Director of C.B.I. are pertinent.

"Quite apart from the fact that the purchase of Ground Handling Equipment was not covered by either the authority of the Board of Indian Airlines or the sanction of Government, certain items worth almost rupees one crore were purchased in what appears to be complete disregard of the established procedures, etc. Some of the Ground Handling Equipment so purchased has not been used at all by Indian Airlines due most probably to the fact that it was not required. Many papers connected with the transaction are reported to be missing

from the files of Indian Airlines which again creates further suspicion as to the bona-fides of the transaction. The matter being of a serious and urgent nature immediate action may indly be taken."

12.18. The Director, C.B.I., informed the Ministry (*vide* D.O. No. 1|6|71-D.I.G.|INV|48 dated 5-1-72) that the investigation at this late stage will be beset with numerous difficulties, not the least being that in this case, vital evidence could be had only in France and the prospect of getting it appear rather dim as the Chief Vigilance Officer I.A.C. was not able to collect much useful material during his visit to France in the course of preliminary enquiries made by him there. However, as you desire that C.B.I. should investigate into this matter, we will register a case on receipt of a formal complaint from the I.A.C.". But, the Corporation felt that "sufficient material had not yet been elicited to justify a formal complaint to a police authority alleging charges of corruption and malpractices amounting to a criminal offence. Therefore, no formal complaint has been lodged."

12.19. However, on the advice of the Ministry, the matter was referred to the Central Vigilance Commission on 2nd February, 1972 for an examination of this matter and for advice regarding the further action if any to be taken in regard to the two officers to whom charge sheets were issued.

12.20. The Committee took up this matter with the Secretary of the Ministry of Tourism and Civil Aviation during the evidence on 25th September, 1972. The Committee enquired as to when this matter first came to the notice of the Ministry and what action was taken by them. The Secretary of the Ministry stated as follows:—

"I think it was in January, 1971, that the then Chairman of the Corporation came to the Ministry and told me personally that he proposed to charge-sheet two of his senior officers. The matter was entirely within their purview. This matter was first brought to the Ministry's pointed attention as a result of the Draft Audit Report, on the 30th August, 1971. Indian Airlines were immediately asked to examine this report—the Audit Report, and to send us their comments by the 9th of October, 1971. They sent us a report and we had a detailed discussion with them, and asked them to send us full report. The Vigilance Officer and the Chief Audit Officer submitted a detailed report to us on the 5th of November, 1971. When we saw this report, we realised the matter was extremely serious and we accordingly decided that it should be

immediately referred to the Central Bureau of Investigation for a thorough inquiry and the Bureau was accordingly addressed on the 9th November i.e., within 4 days."

12.21. The Committee also enquired as to whether the Ministry ascertained from the Corporation the reasons for the long delay in reporting the serious lapses in this case and in not taking action against the officers concerned at the appropriate time. The Secretary of the Ministry stated that:

"we did ask them why the matter had been so delayed. We were informed that they realised the seriousness of the matter only in the middle of 1969. Then they asked the Chief Engineer to look into it and the Chief Engineer submitted a report to the Corporation in 1969. It was decided then that the Chief Audit Officer should study all the relevant correspondence and noting. Later, the matter was kept pending till the appointment of a Chief Vigilance Officer, and a new Chief Audit Officer. These two officer, on appointment in June, 1970, took over all the records and found that a number of points were not clear and some of the records and documents were missing. On the 27th August, 1970, two officers concerned, as a result of the inquiry, were asked for certain information. These two officers were ultimately issued charge-sheet on the 29th January, 1971. Their explanations were received by the Corporation in March|April, 1971 and these explanations required consultations with the Corporation's Legal Officer, as they raised certain legal issues.

On 12th November, 1971 the C.B.I. informed us that they would require a complaint to be lodged either from an officer conversant with the facts relating to the transaction or one who had made an enquiry into the matter so as to enable them to register a case. C.B.I. said they would discuss the matter with the Indian Airlines in this regard. Again on 5-1-72 the C.B.I. informed us that the whole matter was beset with numerous difficulties.

In this case, the only evidence could be had in France and the prospect of this evidence appeared to be very dim. The Chief Vigilance Officer had been to Paris to collect information but was unable to lay hands on things worthwhile..... As I said the C.B.I. themselves informed us that in view of the delay that had taken place and the fact that the Corporation's Vigilance Officer had been to Paris and was unable to collect relevant material, it was

not likely that their officer would collect anything. Some documents seemed to have disappeared."

12.22. Asked as to why the formal complaint was not lodged with the C.B.I., the Secretary of the Ministry stated as follows:—

"The Corporation was asked to file a FIR with the CBI in order to take up further investigation. The Managing Director evidently after discussion with his Legal Adviser came to the conclusion that *prima facie*, he could not point out any mala-fides. These may be proved by further investigation. He could not go to CBI and say I suspect such and such a person. In this situation it was decided that the advice of the Chief Vigilance Commissioner should be taken. This was in February, 1972. The Chief Vigilance Commissioner is our Chief Adviser in matters of corruption. He is not an authority below the CBI. The Corporation went to Vigilance Commissioner to get his advice as to how they should proceed. They never wanted to give up the case. So, they asked for the views of the CVC.

Mr. Dutt was the Chief Vigilance Commissioner. He was appointed High Commissioner in Bangla Desh and a new Vigilance Commissioner had to take over. He took over only a few days ago probably, on 9th of this month and the Corporation is now going to discuss this case with the Chief Vigilance Commissioner. All the papers are with him and I understand that this discussion between the Corporation and the Chief Vigilance Commissioner is to take place on 26th September i.e. tomorrow."

Subsequently, the Committee were informed by the Corporation that the advice of the CVC was received on the 4th October, 1971.

12.23. The Committee also enquired whether the full facts of the case were brought to the notice of the Board of Directors. They were informed that the matter was reported to the Board in February, 1967 where these items figured in a list of items of capital expenditure. This matter was reported to the Board following the normal procedure for reporting of capital expenditure exceeding Rs. 25,000/- per item which had been authorised by the General Manager. It was, however, stated that while this may be construed as approval by the Board this was obtained *ex-post facto* and was not a specific approval in detail. It was also intimated that the Board was again informally apprised of the action taken in regard to two officers on 2-11-1972 and that the Board approved the action taken.

12.24. Asked about the reasons for not taking the approval of Government in terms of section 35(a) of the Act, the Committee were informed that "Government's approval for the purchase of two additional Caravelle aircraft (7th and 8th) was sought by Finance Department's letter dated 3rd May, 1966. In this letter dated 3rd May, 1966, Sr. Assistant Financial Controller mentioned *inter alia* that it was now possible to cover equipment components under the Credit Agreement. Government's sanction to the purchase of these additional two Caravelles was given on 21st July, 1966. This sanction does not specifically cover items of ground equipment. However, considering the fact that it was generally accepted as such in the Corporation, we may assume that the Engineering and Stores Departments had some reason for the presumption that Government's approval was obtained. But it may be mentioned that orders for some items of equipment, i.e., Tracma Tractors, whose total cost including customs duty amounted to Rs. 23 lakhs and Hydraulic and Marrelle Elevators (Total cost Rs. 35 lakhs) were released before the receipt of the letter from Government mentioned above."

12.25. The Committee also pointed out that according to Audit, in the absence of any records being maintained, the extent of utilisation of the equipment as indicated by the Management could not be verified in Audit. The Committee enquired whether no records were being kept by the Corporation about the utilisation of ground handling equipment or any other plant and equipment. They were informed that normally log books were not maintained for this type of equipment. Instructions had now been issued that log books should be maintained for the specifications of equipment covered by these questions so that the extent of utilisation could be ascertained precisely. In regard to utilisation, till now an assessment had been made on the basis of meters installed on the machines equipment and other collateral evidence. A copy of the report submitted by the Director of Engineering of the Corporation is given in Appendix XVIII. It would be seen from this Report that the equipment was not being fully utilised.

12.26. Asked about the steps taken to ensure that such irregularities and lapses did not recur the Committee were informed that for the purchase of Boeing Aircraft and connected spares/equipment, etc., a high level project Team had been set up. All demands/recommendations for equipment/spares etc. were being examined in detail and orders released only after examining all aspects including the necessity, availability of alternative equipment, equipment

*Govt. sanction for purchase was given on 9-7-1966 while orders were placed on 30-6-66 for Marrel Elevators and Hydranlic Elevator and 9-7-66 for Tracma Tractors.

already available, etc. This Team comprised of representatives of the Operations, Engineering, Stores and Finance Departments.

12.27. The Committee are constrained to observe that there had been serious irregularities/lapses in purchase of ground handling equipment in 1966 which have been admitted both by the Management of the Corporation and the Ministry. Firstly, equipments valued at Rs. 89.88 lakhs (foreign exchange component of Rs. 56.12 lakhs) were purchased with a view to utilising the funds under the French credit without a careful examination of the need for it. The Chief Engineer (Headquarters) who looked into the matter observed in his Report in November, 1969 "there is no evidence in the engineering files (both Headquarters and Bombay) of calling for competitive quotations which I think is a mandatory requirement particularly for ground equipment and other capital items. . . . There is also no evidence in the engineering files of prior technical assessment of the French equipment in question as to suitability, utility etc. at each station for which it was intended. This assessment was all the more necessary as we have indigenous sources of supply of this equipment. . . . We have never in the past imported toilet servicing equipment and locally manufactured equipment costing a few thousands instead of lakhs was in use until about a year or so and working satisfactorily". The Committee feel that mere availability of foreign exchange should not serve as an excuse for placing orders for equipments which are neither required nor would in the normal circumstances be allowed to be imported. The Committee recommend that Government should issue suitable guidelines to the public undertakings in the matter of utilisation of foreign credits to obviate recurrence of such instance.

12.28. Secondly, the Committee find that the D.G.T.D. gave clearance to the purchase of some of these equipments within a few days of receipt of application and without making sure that these equipments were not available within the country and could not be indigenously manufactured.

12.29. Thirdly, it is also regrettable that no specific prior approval of the Board was obtained for the purchase of the equipments. The matter was reported to the Board in February, 1967 where these items figured in a consolidated list of items of capital expenditure. This was in pursuance of the normal procedure of reporting capital expenditure exceeding Rupees twenty-five thousands per item authorised by the General Manager. Though according to the Management it was construed as approval by the Board the fact remains that such an approval was obtained ex post facto and was not a specific approval in detail.

12.30. The Committee also find that as required under Section 35(a) of the Air Corporations Act, no prior approval of the Government of India was obtained for the purchase of equipment exceeding Rs. 15 lakhs. It has been stated that approval of Government for the purchase of two additional caravelle aircrafts (7th and 8th) was accorded vide Ministry of Transport and Aviation letter No. 9/CA(10)/66 dated 21-7-66. The Committee, however, find that this sanction was only for the purchase of 2 additional "Caravelle" aircraft together with related spares and spare engines from M/s Sud Aviation of France and did not specifically cover items of ground handling equipment. It is strange that orders for some items of equipment costing about Rs. 58 lakhs were released even before the receipt of this sanction letter from the Government. As observed by the Secretary of the Ministry "quite apart from the fact that the purchase of ground handling equipment was not covered by either the authority of the Board of Indian Airlines or sanction of Government", these items worth almost Rs. one crore were purchased in what appears to be complete disregard of the established procedure etc. Some of the ground handling equipment so purchased have not been used at all by Indian Airlines due most probably to the fact that they were not required. Many papers connected with the transaction are reported to be missing from the files, which again creates further suspicion as to the bonafides of the transactions."

12.31. The Committee are perturbed to find that the matter came to the notice of higher management in July, 1969 only. Although, the Internal Audit had raised questions regarding low utilisation/non-utilisation of some of these items of equipment since May, 1967, it did not correlate them to the actual purchase orders and failed to bring to the notice of higher management well in time the serious irregularities/lapses in the placing of orders. The fact that the matter came to the notice of higher management only after about three years of placing of orders indicates that there are serious deficiencies in the working of the various departments of the Corporation which need to be rectified without delay.

12.32. The Committee also view with concern that even after the matter had come to the notice of higher management in July, 1969 and the Chief Engineer, who was asked to look into the matter in detail, had confirmed the various lapses in placing of orders in his report in November, 1969, the Management took another fifteen months to issue charge-sheets to the two officers concerned and to obtain their replies which were received only on 1st March and 15th April, 1971. Thereafter, the matter was first referred to the C.B.I. in November, 1971 and then to Central Vigilance Commission in

February, 1972. The advice of C.V.C. became available on 4th October, 1972. The Committee are informed that the two officers concerned have been retired from service with effect from 18th January, 1973.

12.33. The Committee have also been informed at the time of factual verification of the report that the Indian Airlines had written to the Director, C.B.I. on 4th December, 1972, indicating the irregularities of the case and requesting the Director, C.B.I. to get the transaction investigated thoroughly as it was felt that "there is room to suspect that the purchases were not made in the interest of the Corporation and were due to ulterior motives of the person or persons in employment of the Corporation and/or outside leading to a wrongful loss to the Corporation." A regular case on this matter was registered for investigation by the C.B.I. on 25th January, 1973 under the Prevention of Corruption Act, 1947. On the same day on F.I.R. gistered for investigation by the C.B.I. on 25th January, 1973 under Section 154 Cr. P.C.

The Committee have not been informed of any reasons which have now prompted the Indian Airlines to file a formal complaint with the C.B.I. at this late stage while earlier in November, 1971 the Corporation had decided not to do so as mentioned in paragraphs 12.18. It is significant to note that the letter to the C.B.I. requesting them to investigate the case was written on 4th December, 1972 and the case registered on 25th January, 1973 after the officers concerned have been retired from service on the 18th January, 1973.

The Committee feel intrigued about the manner in which the whole case has been dealt with right from the beginning. It has taken the Management more than six months to take any conclusive action in the matter. Various papers connected with the transaction are also reported to be missing. The Committee would, therefore, strongly urge that the Government should make a thorough probe in the matter with a view to see how such serious irregularities remained unnoticed for such a length of time, why there was so much delay in taking action against the delinquent officials, and whether this delay itself was bonafide. The Committee desire that the responsibility should be fixed for the delay in taking action as also for the missing documents.

12.34. The Committee also stress that effective remedial measures should be taken to obviate recurrence of such cases. They would also urge that expeditious and strict disciplinary action should be taken against all concerned in cases where such serious lapses occur so as to act as a deterrent to others.

XIII

MISCELLANEOUS

A. DELAY IN THE CONSTRUCTION OF HANGERS AND SERVICE COMPLEX AT BOMBAY

13.1. On procuring additional Aircrafts (Caravelle) sometimes in 1963, the Corporation felt paucity of hangar and workshop space available in Bombay. In May, 1964, a proposal was, therefore, placed before the Board for construction of hangar, workshops, stores, staff canteen etc. at an estimated cost of Rs. 66.50 lakhs. The proposal duly approved by the Board was submitted to the Government on 11th June, 1964 for according approval under Section 35 (a) of the Air Corporations Act, 1953. The sanction was received after a lapse of six months in December, 1964. The project was to be completed within three or four years.

13.2. However, the Corporation took about 4 years after receipt of Government sanction in the selection of designs, architects, engineers and consultants, soil survey and execution of agreement. Thereafter, tenders were invited in January, 1968 and the contract was awarded to the lowest tenderer who reduced his offer of Rs. 81,82,525 to Rs. 80,92,025.

13.3. The initial estimate of Rs. 66.50 lakhs was received in August, 1968 by the Corporation to Rs. 124.15 lakhs on account of:—

	Incidence of cost
	(Rs. in lakhs)
(a) Necessity for pile foundation as the area was found water-logged and rocky on carrying out soil survey	7.00
(b) Increase in material prices and charges due to efflux of time	18.60
(c) Additional jobs	90.20
(d) Slight change in design	1.85
	<hr/> 57.65

13.4. The Corporation approached the Government in August, 1968 for the *ex-post-facto* sanction for the above referred additional expenditure of Rs. 57.65 lakhs. Government, while deploring the action of the Corporation in not conducting soil investigation in the initial stages, the delay in the execution of the project and taking up the work without obtaining prior approval, approved the additional expenditure in February, 1970.

13.5. Due to the inordinate delay in the execution of the project, the Corporation had to vacate hangar Nos. 4 and 5 (to enable Air India to commence construction of another hangar by them) and shift to hangars number 12, 13 and 14 on which expenditure of Rs. 6.45 lakhs was incurred towards construction of Stores Annexe, renovation of toilet blocks and canteen.

13.6. In this connection, the Ministry informed Audit in October, 1971 as follows:—

- (a) Even if the Indian Airlines hangar had been completed earlier by 1968 or so, the hangar could not have been put to use because the connecting taxi tracks which were required to be constructed by the DGCA were not even started.
- (b) In view of the continued shortage of steel and irregular supplies even after the matter was taken up at the highest level, there has been further delay in the construction of the Project. It is now expected to be completed by June, 1972."

13.7. The Committee enquired the reasons for the Corporation taking three years for completing the preliminaries before inviting tenders. They were informed in a written reply by the Corporation that only a broad planning of the project had been done for the purposes of obtaining Government approval. On receipt of the same detailed study of the different types of the hangars available was made and a number of proposals examined with a view to select the best designs of the hangar. During the detailed planning, a large number of additional requirements, and modifications came to light.

13.8. In addition, the soil investigations revealed that the area was water logged and consequently would require pile foundation. This could not be anticipated earlier as the soil on and around Santa Cruz was known to be firm not requiring special foundation, but the particular plot allotted to the Corporation turned out to be

of soft starta. The Corporation stated that a project of this magnitude does require a long period for proper planning, particularly because of the following reasons:—

- (a) The project is rather a unique one.
- (b) The cantilever span is of 204 ft. which is the largest in the world.
- (c) Had this work been entrusted to foreign firms as a turn key job, we would have entailed a very heavy drain on the country's foreign exchange.
- (d) We had necessarily to select architects, Engineers and Consultants who had foreign collaboration in projects of similar nature.
- (e) Further, even in the selection of architects, we had to avoid payment of foreign exchange.
- (f) Even though this is a single project, it involved execution of various tenders and contracts, e.g.:
 - (i) Inviting preliminary designs;
 - (ii) Agreement with the Architects, Engineers and consultants;
 - (iii) Tenders for soil exploration;
 - (iv) Tenders and contract for piled foundations;
 - (v) Tender and contract (Civil Works) for the main Hangar;
 - (vi) Tender and contract for sanitation work;
 - (vii) Tender and contract for electrical work and development work;
 - (viii) Surface soil investigation for deciding on the best and most economical design of hangar flooring.

13.9. Many of the above stages required not only a considerable amount of work prior to the calling of tenders but also after the tenders were called. Sometimes we had to have prolonged discussions with the contractors before awarding of the contract in view of the unique nature of the work. Contracts had to be vetted by our legal advisers.

"We had also difficulties, and delay in acquiring the land from Civil Aviation Department. The site was to be handed

over to us duly developed by CPWD and before June, 1966. The same however, was handed over on 1st February, 1967 without developing. Conquently we had to do lot of additional work for development not originally contemplated."

13.10. As regards the reasons for the delay in construction even after the award of the contracts, the Committee were informed that after the award of the work, the delay in construction was essentially due to non-availability of steel and the building materials. The civil works, pertaining to the hangar, contract entrusted to M/s. B. E. Billimoria, was scheduled to be completed on 6th September, 1970. In accordance with the terms of tenders, the responsibility for procuring steel was that of the contractor. The Corporation was however, required to recommend the supply of Steel, as the Manufacturers, did not entertain contractor's demand directly. Further the contractor was liable|entitled to escalation in steel prices i.e. the difference between basic price assumed in the contract and the purchase price declared by Government.

13.11. At the time the tender was awarded, steel was freely available through the Manufacturers directly. In October, 1969 however, the allotment of steel by Manufacturers, was put under control of JPC, and all indents had to be submitted to JPC who accorded priority to various departments. Accordingly the contractor submitted six indents during the period of 24th October, 1969 to 22nd May, 1970, for a total of 880 tons of steel. (Total steel used 114 tons rounds, and high tensile 126 tons). In spite of taking up the matter at the highest level, only 230 tons of steel was received through JPC.

13.12. According to the Corporation "our country suffers from a chronic shortage of building materials including local materials like bricks etc. Considering this handicap for which the remedy is not in our hands, the period taken to complete the hangar is not considerable unreasonable."

13.13. The Committee were also informed that the work on the hangar was completed on 30th June, 1972 except for minor finishes and the same were proposed to be occupied by 1st October, 1972, after the monsoon. Hangars 12, 13 and 14 occupied by the Corporation were proposed to be handed back to D.G.C.A. who were the owners of the same.

13.14. The Committee referred to the observations of the Ministry in October, 1971 that even if the Indian Airlines hangars has

been completed earlier by 1968 or so, the hangar could not have been put to use because the connecting taxi tracks which were required to be constructed by the D.G.C.A. were not even started. Asked about the reasons for the delay in this regard, the Committee were informed that the work of taxi tracks and aprons was planned simultaneously, and the D.G.C.A. was requested to provide this facility very early as it was the responsibility of D.G.C.A. to provide such facilities.

13.15. The D.G.C.A. had submitted to the Government on 21st July, 1964 an estimate of Rs 13 lakhs for developing apron and taxi tracks etc. However, in February, 1969, the D.G.C.A., informed the Corporation that, their plan allocation had been reduced considerably, and that they were not in a position to say when the Government approval would be received.

13.16. In July, 1969, the D.G.C.A., informed that the original estimate of Rs. 13 lakhs had been revised by C.P.W.D. to Rs. 40 lakhs and that due to shortage of funds they will not be able to undertake this work.

The increase in cost was due to the following reasons:—

(a) Original estimate did not include—

(i) Original estimated did not include :

	Rs.	Lakhs.
(i) For apron & taxi track lighting	3.62	„
(ii) Drainage	3.58	„
(b) Increase in length of taxi tracks due to shifting of the hangar by requirement of DGC.	11.00	„
(c) Increase in prices of materials since the first estimate was made	9.00	„
	27.20	

13.17. The Corporation pursued this matter with D.G.C.A., and the Minister of Civil Aviation vigorously. Ultimately in the Airport Co-ordination meeting held at Bombay on 18th February, 1970, it was decided by the D.G.C.A., that Indian Airlines would undertake the above work, for which the D.G.C.A. would reimburse them Rs. 13 lakhs.

13.18. The Indian Airlines Headquarters accorded approval to go ahead with the work on 31st May, 1970. The work was completed on 31st December, 1971 at a cost of Rs. 37 lakhs. The reimbursement of Rs. 13 lakhs however, was still awaited from D.G.C.A.

13.19. The Committee regret to note the inordinate delay in the construction of hangers and service complex at Bombay. Although the scheme was sanctioned by Government as early as December, 1964 and the project was to be completed within three or four years, the Corporation took about 3 years even for completing the preliminaries like selection of designs, architects, Engineers and consultants, soil survey, etc. Thereafter the tenders for the work were invited only in January, 1968. What distressed the Committee was that the Corporation, in spite of such delays in completing the preliminaries, did not obtain the prior approval of the Government to the revised cost of the project which was estimated to be Rs. 124.15 lakhs as against the earlier estimates of Rs. 66.50 lakhs. It was only in August, 1968 that the Corporation approached Government for ex post facto sanction to the increased expenditure.

13.20. The Committee also find that although the Government deployed the action of the Corporations in not conducting soil investigation in the initial stages, the delay in the execution of the project and taking up the work without prior approval, they (Government) themselves took about 18 months to sanction the revised estimates which were approved in February, 1970. The Committee see no justification for such long delays in sanctioning the estimates.

13.21. The Committee are unhappy to note that there had been delay in construction and in occupation of these hangars even after the award of the contract. The project was completed in December, 1971 i.e. after a period of about 7 years of the sanctioning of the Project by Government. The main reasons advanced for these delays are the non-availability of steel and building material and the delay of 4 years in the construction of the connecting taxi tracks which were required to be constructed by the D.G.C.A. The Committee consider that hangars and taxi tracks being integral parts of the same project, Government should have ensured at the time sanction was accorded for construction of hangars in 1964 that action was also taken simultaneously to decide firmly about the provision of taxi tracks and the agency for the execution of the project. The Committee see no reason for lack of coordination for such a vital and important matter when both the Indian Airlines who need and constructed the hangar and the Directorate General of Civil Aviation which were

responsible for taxi tracks, were and continue to be under the same Ministry. The Committee would like Government to take a lesson from this instance and ensure that in future well-coordinated and integrated action is taken in such projects.

13.22. The Committee also regret to note that although the taxi tracks have been constructed by the Corporation on behalf of the D.G.C.A., the reimbursement of Rs. 13 lakhs promised by D.G.C.A., has not yet been made. The Committee would like to be informed of the reimbursement of Rs 13 lakhs by the D.G.C.A.

B. Boarding of passengers without proper tickets

13.23. On 27th May, 1972 eight unmanifested passengers were found on Board of Indian Airlines flight IC-130 of date at Calcutta. The facts in brief relating to this incident, are as under: ,

A marriage party consisting of 76 passengers was booked to travel from Calcutta to Bombay by flight IC-130 of 27th May, 1972.

13.24. On 27th Morning the passengers of this marriage party reported at the check-in-counter at Dum Dum airport in three batches—2 persons in one batch, 22 persons in second and 52 persons in third batch. It appears that boarding cards were handed over to the leader of the party in 3 instalments by the staff at the check-in-counter.

13.25. When the flight was announced, the Airport Manager, accompanied the party to the aircraft. Finding that the counter staff had not reached the entry steps near the aircraft, he instructed two other staff who were then present at the Tarmac, to collect the boarding cards from the passengers of the flight. The staff from check in-counter reached the aircraft a little later and took over the collection of boarding cards from the other two staff. When all passengers had boarded the aircraft it was detected that two boarding cards were in excess of the number of passengers as per the Trim Sheet.

13.26. The passengers were then counted and it was observed that there were 93 passengers on board including two babies as against the total number of 85 manifested. On checking the Boarding Cards it was found that 2 boarding cards were of flight IC-402 to Delhi of 26th May, 1972 stamped by the Security Staff and the other 4 were unstamped.

13.27. The Committee enquired during evidence whether any action was taken by the Indian Airlines in the matter. They were

informed that this was being enquired into in order to fix the responsibility.

13.28. A preliminary enquiry into the matter was conducted by the Deputy Chief Audit Officer, Calcutta. The enquiry revealed—

- (1) That there was a lack of security control in the security enclosure.
- (2) The check conducted by the security staff for regulating the entry of the passengers through the collapsable gate into the coach was ineffective.
- (3) The check exercised over the entry of the personnel in the tarmac area was ineffective.

13.29. Further enquiry was being conducted into the following aspects:

- (i) 87 boarding cards were collected against 93 passengers found on board. How six passengers without any boarding cards could get into the aircraft?
- (ii) How two boarding cards of flight IC-402 of the previous date could be collected by the passengers?
- (iii) Some boarding cards for flight IC-130 were without any date. How these cards could get into the hands of passengers? How were these passengers allowed to board with these cards?
- (iv) There were a few cards which were not stamped by the security check personnel. How the passengers with such cards were allowed to board the aircraft?

13.30. The Committee enquired the reasons for the delay in conducting the enquiry. They were informed that owing to the illness of the Enquiry Officer, he had not been able to complete further investigation. Further, the incharge of the marriage party when Enquiry Officer wanted to question had not been available at Jamshedpur where he normally resided. The completion of enquiry was, therefore, likely to take a little more time. As soon as the report was finalised, further action as necessary would be taken.

13.31. The Committee view with concern the incident which took place on 27th May, 1972, the preliminary enquiry of which has brought to light the serious lapses especially the security arrangements at the Calcutta airport. The Committee regret that although it is now more

than nine months since this incident happened, the further inquiry which had been ordered to be conducted has not yet been completed. The Committee deplore the dilatory manner in which such important investigations are conducted by the Corporation. The Committee have also come across other cases where the Corporation failed to take expeditious action against the persons found responsible for serious negligence in the discharge of their duties even after these had been brought to light. The Committee would, therefore, urge that the Corporation should view this incident seriously and finalise the enquiry expeditiously so that responsibility could be fixed on the delinquent officials. The Committee need hardly stress the necessity of taking suitable remedial measures including the tightening of security measures so as to avoid the recurrence of such cases.

C. Construction of Viscount Dock Hangar Gate

13.32. In 1963, the Corporation decided to construct a gate for the Viscount Dock Hangar at Palam Airport at an estimated cost of Rs. 1.25 lakhs.

13.33. On the basis of the design submitted by M/s. Architect Associate the work was awarded to M/s. Mohan Singh and Sons on 26th/30th March, 1963 to be completed by the end of May, 1963.

13.34. On 30th May, the Contractor asked for an extension of 2 months. Again on 9th July, 1963 the Contractor complained of non-availability of material and asked for one and a half months extension with effect from 31st July, 1963. In September, 1963 he again complained of non-supply of material and subsequently restarted the work on 8th September, 1963. On 17th December, 1963 he repeated the plea of non-supply of material and stated that he was not responsible for the delay in the execution of the work. The Chief Engineer, in January, 1964 allowed him maximum extension of one month after the receipt of G.I. sheets.

13.35. On 4th May, 1964 the Engineering Manager visited Palam and reported that the work was not according to specifications and the progress was slow. He advised the Contractor to coordinate with the architect and carry out the work satisfactorily. It was also found that the design submitted by the architect was defective. Further work was, therefore, suspended on 2nd June, 1964. In the meantime, a part payment of Rs. 95,953 had already been made to the Contractor and the architect.

13.36. The matter was investigated by the Chief Audit Officer and the Chief Engineer in May, 1966 who recommended disciplinary

action against the Plan Engineer for gross negligence in discharge of his duties and incorrect selection of architect who had no experience of steel structural engineering. It was also recommended that action may be taken against the architect to recover the losses in consultation with legal adviser.

13.37. The question of re-doing the work was considered by the Corporation in August, 1968. After examination of the case by M/s. Jessop & Co. at the request of the Corporation, a revised sanction for the work was issued for Rs. 1,73,000. This work was, however, not undertaken as the Chief Engineer stated in September, 1968 that the hangar door was no longer required as the installation of the door would be a hindrance and not a help. The work already done was dismantled at a cost of Rs. 8,890.

13.38. The Ministry informed Audit in October, 1971 that "a departmental inquiry is in progress."

13.39. The Committee enquired as to why the construction of hangar door was taken up when according to the opinion of the Chief Engineer in September, 1968 the installation of the door would have been a hindrance and not a help. They were informed that it was sometime in 1962 or early 1963 that the Corporation decided to construct a rolling gate in front of one of the Hangars at Palam to avoid dust and sun coming in and thus providing better working conditions. First, the idea was to construct a rolling gate which would be manually operated. However, subsequently the Chief Engineer, Delhi considered that the electrically operated gate would be more advantageous. A provision of Rs. 1.25 lakhs was made for this purpose in the Capital Budget of Delhi Area for the year 1962-63.

13.40. The Committee also enquired as to how the selection of the Architects was made and who approved the designs submitted by him. They were informed that the selection of the Architects was made on the basis of the lowest tender. The specifications and drawings prepared by the architects were first examined by the Delhi Area and then forwarded to Indian Airlines Headquarters for examination. According to the Corporation even though the drawings were so examined, the duly approved drawings were not on record.

13.41. Asked whether the part payment of Rs. 95,953 made to the contractor and architects was contemplated in the agreements entered into with them, the Committee were informed that as per the terms of the Work Order, it was initially contemplated that advance payment will be made to the Contractor as follows:—

- (a) 25 per cent of contract value after completion of 50 per cent work;
- (b) 25 per cent payment after completion of 75 per cent work; and
- (c) balance 50 per cent payment to be made after satisfactory completion of the work.

13.42. Subsequently the mode of payment as stipulated above was modified as follows:—

“You will be given 5 running payments on ad hoc basis, exceeding 80 per cent of the work carried out as recommended by our Plant Engineer.”

It was further stipulated that the date of the receipt of work order will be treated as commencement date and the contractor was required to complete this work within a period of 60 days of the commencement. For any unauthorised delay on the part of the contractor in completing the work, he was liable to pay a fine of Rs. 100/- per day for every day of work, which remains incomplete beyond the specified time limit. On completion of the work, the contractor was obliged to advise in writing the date of completion, which was to be approved by the Plant Engineer.

It was further provided that in case of any delay arising out of unforeseen circumstances, the contractor would file a written application to the effect and the same would be considered on merit. The period of delay was then to be treated as non-working days.

13.43. The Committee were also informed that the terms of agreement with the architects provided for half per cent payment on approval of the drawings, one per cent after start of the work by the contractor and balance one per cent payment of contractors final bill.

13.44. The Committee also enquired whether any action was taken against the architect to recover the loss. They were informed that

“the circumstances in which the question of action against the Architects was not considered earlier are not known. It is not possible to initiate action against them after the lapse of so many years, especially as the case against them is not clear. However their claims amounting to more than Rs. 5000|- on other jobs were withheld partly because of this case and partly because of inadequate supervision of other jobs. A sum of Rs. 1200|- payable on completion of this project was also not paid.”

13.45. The Committee enquired as to when the departmental enquiry against the Plan Engineer was instituted. They were informed that the preliminary enquiry was instituted on 22nd January, 1965 and a report submitted on 10th May, 1966. In their report, the Enquiry Committee pointed out that against a budget provision of Rs. 1.25 lakhs the architects gave an estimate of Rs. 1.22 lakhs. However neither a copy of the letter asking the architects was reported to be available. The estimate was forwarded to the Headquarters of Indian Airlines on 15th February, 1963 for obtaining their sanction for undertaking this work, which was given on 23rd March, 1963. In the meantime, on 25th February, 1963, the Plant Engineer wrote to the Senior Traffic Manager, to insert advertisement in papers calling for tenders. The date on which such a notice appeared in the papers was reported to be not available. In fact, the Enquiry Committee could not say if at all it appeared in any of the newspapers. The tenders were handed over to all I.A.C. listed Contractors in Delhi and quotations appeared to have been received from them only. The last date for the issue of tender forms was 14th March, 1963 and the last date for receipt of tenders was 15th March, 1963. Four tenders were stated to have been received out of which two lowest tenders were stated to be those of M|s. Mohan Singh and Sons and M|s. Dewan Construction Company Pvt. Ltd. The workshop facilities of both the tenders were examined by the Assistant Chief Inspector and the Plant Engineer. The date of examination was, however, not indicated. They recommended that M|s. Mohan Singh and Sons who gave the lowest tender had adequate workshop facilities and might be approved for the job. Accordingly approval by the Chief Engineer for the tender of M|s. Mohan Singh and Sons was given on 30th March, 1963. The contract was awarded to M|s. Mohan Singh and Sons on 26th|30th March, 1963.

13.46. It was also stated in the Report that “the original intention of the I.A.C. management was to provide similar doors for the Viscount Dock Hanger as are installed on the I.A.F. Hanger at Palam,

though this intention is nowhere on record. However, from the designs and specifications that were received from the architects ... it is observed that the door is designed to be electrically operated.

There is no evidence to indicate how and on what stage this change occurred from the manually operated doors of I.A.F. Hangers to be electrically operated. It is seen from the files that the specifications and drawings after having been examined by the Delhi areas were forwarded to the I.A.C. Headquarters for their examination before their sanction was received. Even though the drawings were examined by I.A.C. We have not been able to locate a copy of the drawings duly approved by the Engineering Manager of the I.A.C."

13.47. Apart from the above irregularities there had been technical defects even in the construction of the Gate. It has been stated in the Report that "the Architects maintain that the top members should have been assembled on the ground and various levels checked up before hoisting, that the contractor had hoisted each individual member and welded them at the top without any reasonable support and that this had deflected and rotated the members.xxx It would also appear from Engineering Manager report of 4th May, 1964 and the Chief Engineer's letter dated 12th May, 1964 that both of them are of the opinion that the top beam should have been assembled on the ground and then hoisted and that assembling and wedging *in situ* had weakened the beam leading to its sagging."

13.48. The Enquiry Committee after examining all the aspects, considered the Plant Engineer of being grossly negligent in the discharge of his duties and found him responsible for the following lapses:—

"(a) His inspection of the office of the Architects appears to have been defective in so far as he failed to bring out the lack of experience of M/s. Architects Associated on Structural Steel Engineering jobs. Since this firm had not undertaken any Steel Structural Engineering jobs we do not understand how the employment of an engineering

graduate by them without much experience could be taken as adequate qualification for the fitness of the architect to undertake a structural job of this magnitude.

- (b) Para 5 of the work order indicates that permits for cement, G.I. Sheets etc., will have to be obtained by the Contractor and that I.A.C. could only recommend his case. However, on 8th April, 1963 i.e. after nine or ten days of the receipt of the order the contractor wrote to the Plant Engineer to arrange for permits for cement, G.I. corrugated sheets and electric welding rods. The Plant Engineer wrote to A.C.S. on 13th April, 1963 to issue the required material to the Contractor at control rates. It is also noticed from the file that on 7th May, 1963 the Plant Engineer wrote to the Development Commissioner, Small Scale Industries for permit for corrugated G.I. Sheets and that on 8th May, 1963 he wrote to the Indian Oxygen Co. Ltd. for welding electrodes. On 21st May, 1963 the Plant Engineer wrote to A.C.S. that the work was held up for want of electrodes. It is curious how a job of this magnitude was awarded without arranging for permits, if the permits were to be arranged for by I.A.C. Moreover, as per the terms of work order, we had only to assist the Contractor in obtaining permits. It is strange how the Plant Engineer started writing directly to the permit issuing authorities and how he wanted A.C.S. to issue these items from our own stocks if the same were available.
- (c) The date of completion of job was supposed to be 60 days from 30th March, 1963 i.e. the job should have been completed by the end of May, 1963. However, on 9th July the Contractor wrote to the Plant Engineer to say that the wall on one side of the gate and wooden cabin on the other side were obstructing the progress of the job and they should be removed and that the Contractor had verbally asked about this on 15th May, 1963 and had since then been pursuing the cases.

There is another letter from the Contractor dated 30th July, 1963 complaining about the same point on which the Plant

Engineer has endorsed a note on 26th August, 1963 to indicate that 'action is being taken to provide alternative accommodation to the Shift Engineers and then only the wooden cabin can be demolished—contractor advised.' It is curious how the job was started without ensuring that the site for construction was available.

- (d) On 7th January, 1964 the Plant Engineer put up a note to the Chief Engineer asking for extension of the time of contract. In the note he has stated 'according to the contract we have to provide permit for cement, G.I. corrugated sheets and welding electrodes'. This is not in consonance with the terms of the work order and the Plant Engineer has been guilty of mis-representation.
- (e) It would appear from the Architect's file that under their letter No. A|62|6094|64 dated 11th January, 1964 they forwarded a copy of Structural Engineer's letter of 7th January, 1964 complaining about the top beam being assembled in sections instead of first being assembled on ground and then hoisted. This letter is not on I.A.C.'s file and it is not clear that action was taken on this letter. The matter came to light only when the Engineering Manager visited Palam Airport on 4th May, 1964 and gave his report.
- (f) Reference is invited to Plant Engineer's letter No. DLH|ENG|PM|C—41 dated 13th March, 1963 to M|s. Architects Associated telling them that they were to provide the design for electrical motors. We are unable to understand how a firm of architects can be asked to lay down specifications and designs for electrical motors. They can at best be asked to obtain them from some other agency.
- (g) The supervision of the work has been very defective. When the architects and their structural engineers pointed out that the contractor was not performing the job correctly, when he started welding small pieces *in situ* instead of assembling the whole unit on ground, action should have been taken to immediately suspend the work and to

study the whole case before proceeding further. However, there is no letter on record to show that the contractor was at any time told in writing to desist from performing the job in this manner and to assemble the top beam on ground. It is evident that the Plant Engineer's supervision was most defective and that he did not take any steps to safeguard the interests of the Corporation."

13.49. The Enquiry Committee therefore, recommended that disciplinary action be taken against the Plant Engineer for gross negligence on his part.

13.50. After the receipt of the Report in May, 1966 a meeting was held at Palam Airport on 6th June, 1966 associating the Engineering Manager, Area Manager, Chief Engineer, Chief Audit Officer, the architects and the contractor. During discussion, the Engineering Manager stressed that:

'the fabrication work should have been done on ground in compartments and then the compartments hoisted to position and fitted up. The architects replied that the contractors were asked to carry out the work in the very manner as suggested by E. M., but they had failed to do so, and on the other hand fabricated the whole structure *in situ* at the top. Engineering Manager suggested that since the truss is in somewhat distorted condition, it will be necessary to take down the whole truss now, refabricate it and then hoist in position.

Area Manager, Delhi enquired the architects how much work by value was still remained to be done and how much extra amount would be needed to complete the work and put the gate in commission. He directed the architects to give a complete report on this aspect and also to submit revised detailed drawings and estimates to enable us to move further in the matter. The architects agreed that by 21st June, 1966 they would submit the report, drawings and estimates, provided we advise them contractor's rates. Civil Engineer was directed to furnish this information to the architects.'

The Area Manager then desired that the whole case along with the investigation report and the revised drawings and estimates amounting to Rs. 1,28,347/- submitted by the Architects for the work, be referred to the Engineering Manager for a decision regarding the various points involved, namely payment to the contractors for the extra work done by them, steps to be taken for finalisation of or completion of the work and obtaining the financial sanction required, etc.

13.51. No action, however was taken by the Headquarters of the Indian Airlines against the Plant Engineer, on the basis of this Report till July, 1970, when a fresh departmental enquiry was instituted by issue of a show cause notice to the Plant Engineer on 27th July, 1970 followed by a charge-sheet on the 17th February, 1971.

13.52. The Enquiry was conducted on 13-5-71, 25-5-71, 7-6-71, 16-6-71, 18-6-71, 21-6-71 and 28-6-71 and the report of Enquiry Officer was given on 21-12-71. In his report the Enquiry Officer found the Plant Engineer guilty of all the four charges levelled against him, amounting to gross negligence of serious nature, carelessness, bad and careless work. The Report with the proceedings of the enquiry was forwarded to the Legal Adviser for his opinion and advice on 12th May, 1972.

13.53. Subsequent to this, the Regional Director of Indian Airlines, Delhi Region, sent a note dated 13th July, 1972 to the Legal Adviser mentioning the various other cases where the Plant Engineer was charge-sheeted, by the then Area Manager for serious procedural and financial irregularities. This note alongwith the opinion of the Legal Adviser was forwarded to the Assistant Managing Director, Headquarters by the Regional Director on 18th July, 1972 pointing out that this required an urgent action.

13.54. Subsequently on 21-8-72, the Regional Director wrote a D.O. letter to the Chief Audit Officer, Headquarters, Indian Airlines dealing with the various points raised in the opinion of the Legal Adviser.

13.55. Thereafter, a letter was issued by the Managing Director to the Plant Engineer on 27th September 1972 intimating that 'in

this report the Enquiry Officer had held you guilty of all the four charges levelled against you....Each one of the charge which stand established conclusively is sufficiently grave to warrant your removal from service of the Corporation and I propose to impose this punishment upon you." The Plant Engineer was called upon to show cause within 15 days as to why the proposed punishment should not be imposed.

13.56. Thereafter on 18th December, 1972 a D.O. letter was sent by the Chief Vigilance Officer of Indian Airlines to the Central Vigilance Commission forwarding therewith the various records relating to the departmental enquiries against the Plant Engineer for the advice of the C.V.C. so that the Corporation could take further action on the basis of such advice. The case was now pending with the Central Vigilance Commission.

13.57. It was also noticed that this was not the only case against the Plant Engineer in which the action was inordinately delayed. Certain other charges were levelled against the Plant Engineer in July, 1965 for the several cases of serious procedural and financial irregularities.

13.58. The Plant Engineer submitted his explanation on the various charges. But his explanation only in regard to some charges was accepted and in respect of others his explanation was not found satisfactory. He was, therefore, issued with charge sheet by the Area Manager on 24th July, 1967. He was asked to put in a written statement in his defence in respect of each of the charges before 5th August, 1967, and after a number of exchange of letters he finally submitted his explanation on 3rd October, 1967. The Management did not accept his explanation but it was only on 31st March, 1971 i.e. after about 3½ years that an Enquiry Committee was set up to conduct enquiry into the various charges levelled against him. The Enquiry Committee came to the conclusion that some of the charges stand proved against the Engineer and, therefore, he was guilty of breach of standing orders.

These documents were also forwarded to the C.V.C. along with the documents relating to Viscount Dock Hangar Gate.

13.59. The Committee are distressed to note that there had been serious irregularities/lapses in the construction of Viscount dock hangar gate at Palam Airport. As mentioned in the above paragraphs, the work of construction of the gate was taken up on the basis of a design submitted by an architect who had no experience of Structural Steel Engineering jobs. Neither a copy of the letter asking the architects for the estimates nor the estimates duly signed by the architects were available. There was also no evidence to show whether any advertisement was made in the papers calling for tenders. As pointed out in the Report of the Enquiry Committee, which inquired into this case in 1965, although on 25th February, 1963, the Plant Engineer wrote to the Senior Traffic Manager to insert advertisement in papers calling for tenders, the date on which such a notice appeared in the papers was not available. In fact, the Enquiry Committee could not say if at all it appeared in any of the newspapers. The tender forms were handed over only to the Indian Airlines' listed contractors in Delhi. Out of four tenders received, the work was awarded to M/s. Mohan Singh and Sons, who gave the lowest tender on 26th/30th March, 1963. Although the work was to be completed within two months i.e. by the end of May, 1963, the Committee find that the work was only partially completed even up to June, 1964 when it was suspended as it was not satisfactory. Instead of taking any action against the contractor for delay in completing the work he was repeatedly granted extensions of time on the plea of non-availability of material.

The Committee also regret to note that although according to the work order, permits for cement, G.I. Sheet, etc. were to be obtained by the contractor and the Indian Airlines could only recommend his case, the Corporation actually arranged permits for the contractor. As pointed out by the Enquiry Committee "it is strange how the Plant Engineer started writing directly to the permit issuing authorities and how he wanted Assistant Controller of Stores to issue these items from our own stocks if the same were available."

13.60. Apart from these irregularities there had been technical defects even in the construction of the gate as mentioned in para 13.47 and therefore, the work was suspended in June, 1964. However, it was only in January, 1965 i.e. after more than six months that an enquiry was instituted in this case.

13.61. The Committee also regret to note that it took the Enquiry Committee more than one year to submit its report which was submitted only on 10th May, 1966. The Enquiry Committee after examining all the aspects, considered the Plant Engineer of being grossly negligent in the discharge of his duties and suggested that disciplinary action should be taken against him. The Committee are constrained to observe that there was unconscionable delay on the part of the Management in taking action against the Plant Engineer. It was only in July, 1970, i.e. after more than four years of the submission of the Report by the Enquiry Committee, that a show cause notice was issued to the Plant Engineer followed by a charge sheet after another six months on 17th February, 1971.

13.62. In his report dated the 25th December, 1971, the Enquiry Officer found the Plant Engineer guilty of all the four charges levelled against him amounting to gross negligence of serious nature, carelessness, bad and careless work. However, even after the receipt of this report, the matter remained under consideration of the Management till September, 1972 when the Plant Engineer was informed that the Corporation proposed to impose on him the punishment of removal from service. He was therefore, given a period of 15 days to show cause as to why the proposed punishment should not be imposed. Thereafter, the matter was referred to the C.V.C. on 18th December, 1972 for their advice with regard to the future course of action.

13.63. Thus even after the lapse of more than six years since the report was submitted by the Enquiry Committee in May, 1966 recommending that disciplinary action should be taken against the Plant Engineer for his gross negligence in the discharge of his duties, the Plant Engineer was allowed to continue in service inspite of serious charges against him and was permitted to handle important jobs.

13.65. The Committee note that the Plant Engineer was found to be responsible for serious irregularities in several other cases and even in those cases there had been a delay of more than 3 years in taking action. The Committee would like to be informed of the results of investigation by the Central Vigilance Commission in all these cases and the action taken by the Indian Airlines thereon.

13.66. The examination of the Indian Airlines have revealed serious deficiencies and shortcomings in the working of the Corporation which have been discussed in the foregoing chapters. c

The Committee have also come across various cases as mentioned in Chapters XII and XIII where the Corporation failed to take prompt action against the delinquent officials found guilty of serious irregularities with the result that the delinquent officials were allowed to continue in their posts unpunished. Such inordinate delays only create a doubt whether these were not intentional just to shield the delinquent officials. The Committee would strongly urge that Government should have a thorough problem made in these cases and ernment should have a thorough problem made in these cases and ment.

XIV

CONCLUSION

14.1. The Committee have found that there was slow rate of growth of Indian Airlines in the last decade. Between 1960 and 1969 while the IATA carriers expanded their capacity at an average rate of 17 per cent per year and Air India by 14 per cent, the rate of growth of Indian Airlines had been only 7½ per cent. The under provisioning of capacity had been made up to some extent by the acquisition of seven Boeings 737 in 1970-71 but the Corporation had hardly been able to cope with the increasing traffic demands.

14.2. The Committee have also stressed that considering the inadequacy of road, rail and other quick means of transport in India it is necessary that the Indian Airlines should consider opening of more stations so that it can serve the nation better and sustain its traffic growth. The Committee have therefore suggested that the Indian Airlines should undertake the necessary techno-economic feasibility studies of such areas which have not yet been covered by air services. The Committee have also desired that at least by the end of the Fifth Five Year Plan, all the State capitals and important centres should be connected by air.

14.3. The Committee also found that some of the new stations could not be connected by air, even though Indian Airlines desired to operate in these places, because of lack of airfields and allied facilities. The Committee have urged the need for a closer co-ordination between the D.G.C.A. and the Indian Airlines so that within the funds available there is proper synchronisation between the Corporation's ability to operate the service to any station and the completion of the required airports and allied facilities by the D.G.C.A.

14.4. One of the important internal constraints of Indian Airlines is the multiplicity in the types of aircrafts some of which have

become obsolete and uneconomic of operation. The variety in the types of aircraft besides being a drag on the economic operations, imposing burden on the costs and efficiency of the Airlines creates several other problems. It is, therefore essential that the Corporation should reduce the types of aircraft to the minimum and attempt at standardisation of its fleet consistent with requirements, economy and efficiency.

14.5. The Committee, however, found that there have been delays in taking decisions about the purchase of aircraft for augmentation and modernisation of the fleet. In the case of the purchase of Boeing 737 aircraft in 1968, although the Technical Committee of Indian Airlines recommended as far back as 30th May, 1968 that from the point of view of operating cost, airport performance, engineering facilities and Indian conditions, the Boeing 737 would be most suitable plane to be used on trunk routes, it was only on 14th January, 1970 i.e. after more than 19 months that Government approved the purchase of these aircraft. On account of delay in taking decision about the type of aircraft to be purchased by Indian Airlines, there had not only been escalation of price of Boeing-737 but the delay resulted in loss of revenue to the Corporation.

14.6. The Committee have found that there had been delay in acquisition of 10 HS-748 aircraft by the Indian Airlines. The delay in receipt of these aircraft has affected the programme of phasing out of uneconomical and outmoded aircraft resulting in increased operational expenses. The Committee have also found that the cost of HS-748 aircraft which was estimated at Rs. 45 lakhs in 1965 has gone upto Rs. 131.84 lakhs. While for the 14 aircraft delivered earlier by HAL the Indian Airlines paid a price of Rs. 89.742 lakhs for each aircraft, there is no specific agreement regarding the price payable for the additional 10 aircraft to be delivered by HAL. The letter placing the order by Indian Airlines provides that the price to be paid to HAL for these 10 aircraft will be Rs. 92.742 lakhs per aircraft. But it also mentions that any escalation in this price to be proposed by HAL would be referred to Government for final decision. The Committee feel that the Corporation should have entered into a firm agreement with HAL in regard to the price payable for these aircrafts as any escalation in the price would not only result in additional capital expenditure but would also affect the operating cost and consequently the profitability of the Corporation. Even if the provision for future

escalation of price was considered unavoidable, the broad principles for calculation of escalation should have been spelt out and a ceiling fixed for the total escalation instead of leaving it ambiguous and the order should have been placed after working out the economics of the purchase of the aircraft on the basis of the maximum price payable for it.

14.7. The Committee have noted that, according to the Report of the Task Force set up by Government of India and the evidence tendered by the Indian Airlines, the performance of HS 748 Aircraft already in operation with Indian Airlines is satisfactory and there is no hazard whatsoever as far safety is concerned. However, as stated by the Minister of Tourism and Civil Aviation, the fact remains that the performance of Avros has been the subject matter of prolonged controversy and a decision has now been taken by Government to institute a high level examination of all the aspects involved. The Committee have desired to be informed of the results of examination.

14.8. The Corporation have also not submitted to Government up till now their proposals for augmenting their fleet during the Fifth Five Year Plan. The Committee have felt that the Corporation with its experience of placing orders for Boeings in 1968-69 should have learnt the lesson and done advance planning for purchase of the aircraft. The Government should take the initiative in the matter and ensure that a perspective plan for new aircrafts (covering both requirements on additional and replacement account) is prepared having regard to the trends of traffic and other relevant technical considerations. It should be possible to draw up this perspective plan in detail in the light of the exercise done by the Corporation's own technical team in 1968 and the parameters and criteria evolved by the Indian Airlines Aircraft Evaluation Group appointed by Government in 1969. The Committee have no doubt that in selecting the aircraft, Government would ensure that it makes for economic operations and maintenance and is best suitable to the Indian conditions and becomes available in time.

14.9. The Committee also desire that the Corporation|Ministry should consult the HAL and the Research and Development wing of the Ministry of Defence and explore the possibility of manufacture of suitable aircraft for use by Indian Airlines on its net work instead of going for imported aircraft involving valuable foreign exchange.

14.10. The Committee have viewed with concern that there were operational losses on the majority of the aircraft in the fleet of the Corporation. The Corporation is suffering heavy losses on the operation of old and uneconomic Dakotas and Viscount aircraft, but still these are being operated by the Corporation mainly because of shortage of aircraft. There is also general increase in trend in break-even load factor on various aircraft and in respect of F-27 and HS-748 aircraft, the break-even load factor was about 100 per cent which means that the aircraft would entail operational losses even if operated upto maximum capacity unless steps are taken to reduce operating expenses.

14.11. While the Indian Airlines is short of modern aircraft, even those available are not being put to optimum use. The average utilisation of all types of aircraft had come down from 2174 hours in 1969-70 to 1981 hours in 1971-72. The utilisation of various aircraft is also lower than the optimum fixed by the Management itself in April, 1970.

In view of the fact that the Corporation is also having high break-even load factor, it is essential to achieve maximum utilisation of the aircraft. The Committee have, therefore, recommended that effective steps should be taken for stepping up utilisation and to ensure optimum utilisation of the aircraft to improve the operating results of the Corporation.

14.12. According to route-wise analysis, out of 103 routes operated by Indian Airlines in 1970-71 the Corporation was earning profit only on 15 routes taking into consideration the total operating cost.

14.13. One of the reasons advanced for the losses is that the Corporation being a public enterprise has certain social responsibilities and therefore had to operate even uneconomic routes.

The Committee have, however, found that on the routes which had been started by the Corporation at the instance of Government, either to meet regional requirements or for promotion of tourism, the Corporation had been getting subsidy to the extent of total operating cost on these routes. It is, therefore, evident that other routes

operated by the Corporation are those developmental routes which the Corporation considered to be justified on commercial considerations. The Corporation should be able to run these routes in a self-financing way after some time. The Committee have therefore desired that the reasons for incurring loss on a large number of routes should be analysed and remedial measures taken to improve their working by deploying suitable types of aircraft and by effecting economy in every field including overhead and administrative expenditure, purchase of spare parts, etc.

14.14. The Committee have suggested that before opening a new route, the financial implications of operating it should be precisely worked out and decision taken at the highest level.

14.15. The Committee have also recommended that the Corporation should in consultation with the Ministry decide the routes|services which are not considered to be justified on commercial considerations or which cannot be considered as developmental routes but have to be operated by the Corporation in discharge of its social obligation. In respect of such routes, the Corporation should indicate in its Annual Reports, the extent of loss incurred on the operation of these routes, the various factors responsible for the continuing losses, the extent of loss suffered on account of each factor, the quantum of subsidy received and the remedial measures taken by the Corporation to reduce the losses with special reference to steps taken to reduce costs and to attract more traffic. This would enable the public and the Parliament to judge the overall performance of the Indian Airlines in true perspective.

14.16. The Corporation should undertake a periodical performance review of the working of the different routes especially those which prove to be uneconomical with reference to the cost of their operations and the revenue earned with a view to taking timely remedial measures to reduce the losses on such routes.

14.17. The Committee recommend that the feasibility of enlarging the scope of the payment of subsidy from Civil Aviation Development Fund, should be examined so that the Corporation is compensated to some extent the heavy financial burden shouldered by them on account of heavy duty on aviation fuel and oil.

14.18. The Committee have also suggested that the Corporation should prepare route costs aircraft typewise so that the economics of short sector and long haul operations by different types of aircraft may be available for critical study to enable the Corporation to deploy the right type of aircraft on various routes. The Corporation should develop a sense of cost consciousness and make a critical analysis of the cost of operations with a view to improving the economics of the airline.

14.19. The Committee have viewed with concern the increasing loss suffered by the Corporation on the operation of Calcutta/Port Blair Service. Although since 1966-67, the amount of deficit had been more than the subsidy of Rs. 3 lakhs, the question of the payment of any subsidy in excess of Rs. 3 lakhs has not yet been decided by Government even after the lapse of more than 5 years. The Committee have recommended that the quantum of subsidy to be paid on this service should be settled expeditiously.

14.20. The Committee have expressed concern over the declining trend in Cargo traffic which had come down from 25,079 tonnes in 1969-70 to 20,665 tonnes in 1971-72—the lowest during the last five years. The Committee have felt that there is potential market for cargo and earnest efforts should be made to exploit it. The Committee have suggested that study should be made of the measures adopted by domestic airlines elsewhere to attract goods and for ensuring their time bound delivery.

14.21. The Committee have found that at present only 50 per cent of the first class mails (post cards, envelopes and money orders) are being airlifted. It is therefore apparent that airlifting of mails is not being given the importance it deserved. In a vast country like India, with the development of faster communications, the airlifting of mails is a necessity and therefore, needs no emphasis. The Committee have, desired that satisfactory arrangements should be made by the Indian Airlines for the carriage of mails by air by ensuring regular operation of their services especially the night air mail service which is meant primarily for the carriage of mails and to deploy the right type of aircraft for these services to be able to carry the mails upto the prescribed capacity and to see that no portion of the air mails is off-loaded to accommodate the passengers.

14.22. The P&T Department being one of the biggest customer for Indian Airlines, it should get the best service in public interest. The Indian Airlines being a national net work, there should be co-ordinated approach in future planning so as to provide as far as possible for air carriage of all class mails between the centre and State Capitals and for this purpose the Corporation should make available to the P&T Department the requisite 'dead load' on assured basis.

14.23. The Committee have pointed out that there had been several upward revisions of fares from those fixed in July, 1955 on the basis of recommendations of a Committee set up by the Corporation. The Committee have, therefore, recommended that the fare structure of Indian Airlines should be critically examined with a view to rationalise it and the studies being made by Indian Airlines in this regard should be expedited. The Committee have also felt that Government should consider the feasibility of introducing special services at low fares to meet the social requirements of the country and to make air travel within the reach of the less affluent sections of the Society particularly in areas where there are no other easy means of transports. The proposal of the Corporation to operate night services with jet aircraft is a step in the right direction and the Committee have desired that urgent steps should be taken to finalise and implement this proposal.

14.24. The Committee have pointed out that 'on time' operation of the scheduled services of Indian Airlines has been unsatisfactory. There had been a deterioration year after year and the percentage of the number of services delayed for 15 minutes and above to the total number of flights had increased from 17.80 in 1967-68 to 35.6 in 1971-72. Needless to point out that the travelling public are greatly harassed and inconvenienced by such delays and cancellations. It is therefore of utmost importance that 'on time' operations are ensured at this stage in the interest of building up a sound tradition. The Committee have also suggested that the Corporation should consider taking disciplinary action against persons found responsible for avoidable delays.

14.25. The Committee have desired that the passengers should be informed timely of such delays in flights and the extent thereof preferably even before they leave their residence for airport. For this purpose, the Corporation should have the telephone numbers of

passengers and a record should be kept of the time and the names of persons to whom message is given. The Committee have also recommended that measures for keeping the passengers informed of delays at the airport should also be tightened to avoid any inconvenience to the passengers and suggest that any failure to follow the instructions issued in this regard should be strictly dealt with.

14.26. The Committee have also emphasised the desirability of making suitable arrangements for the supply of good quality food both at the airport restaurants and in the aircraft. The Committee found that although a suggestion was made by Government that at places where good caterers were not forthcoming the Corporation should open their own stalls so that refreshments such as tea, coffee, cold drinks, biscuits etc. could be provided, it was not accepted by the Indian Airlines; instead the Corporation suggested that since Air India was also in the hotel trade and had taken over the restaurant at Bombay Airport, the Air India might be given the additional responsibility for looking after a few minor airports. The Committee have urged that the Corporation should ensure that satisfactory arrangements are made at all airports for supply of tea, coffee, cold drinks, snacks etc. to the passengers at reasonable rates whatever be the agency through which such facilities are provided.

14.27. The Committee have emphasised that the image of the Indian Airlines depends on its personality perceptions of its consumers and the efficiency in the services offered. The Committee have, therefore, desired that the Corporation should always ensure that the various amenities provided by it to the passengers are to their satisfaction so as to raise its image in the eyes of the travelling public.

The Committee have noted that the Indian Airlines are already examining the possibility of having certain electric/mechanical aids and equipments to bring about improvement in baggages and cargo handling. The Indian Airlines had also obtained the services of the BOAC Consultancy Group under the United Nations programme to study the feasibility of installing a real time computerised passenger reservation system and studies in this regard had been started with the increase in the passenger traffic. The Committee have expressed a hope that the various measures introduced or steps proposed to be taken would help in improving the services provided to the passengers. The Committee have also urged that facilities should be introduced without delay to improve the baggage clearance system and cut

down the time taken in booking and release of the passenger baggages.

14.27. The Committee have regretted that there had been inordinate delays in printing and delivery of the time and tariff schedules of Indian Airlines defeating the very objective of their publication and thus causing inconvenience to the public. The Committee have expressed the hope that the steps recently taken by the Corporation would ensure timely publication and delivery of time and tariff schedules much ahead of the effective date.

14.29. In regard to the workshops of Indian Airlines, the Committee have found that the actual man-hours booked on various jobs showed that these far exceeded the revised norms fixed in 1969 and the variations ranged from 6 per cent to 365 per cent. The additional cost of extra man-hours consumed (excluding overheads) over the revised norms worked out to Rs. 52. 80 lakhs during the years 1966-67 to 1969-70. The Norms Committee of the Corporation in 1969 pointed out various malpractices and deficiencies which were responsible for the increase in actual man-hours over the norms. The Norms Committee observed that 'unless effective steps are taken to eradicate or considerably reduce the present malpractices and deficiencies (quite a few of which are common to all Departments of the Airlines) and to inculcate discipline in the organisation, the spiral of rising man-hours will continue.'

14.30. Not only the productivity of workshop was low but even the available man-hours were also not being fully utilised. The percentage of productive hours to total available man-hours had gone down from 73.31 in 1968-69 to 71.81 in 1970-71. On the other hand, the percentage of overtime hours to total hours on jobs had increased from 16.59 in 1968-69 to 21.51 in 1970-71 resulting in increased expenditure on overtime payment. The Committee have urged that strict control should be maintained on absenteeism, overtime and indirect, unallocated hours, etc. to reduce expenditure on repairs and maintenance of the aircraft.

14.31. As regards inventories of Indian Airlines, the Committee have noted the stock of inventories as on 31-3-72 was of the order of Rs. 16.47 crores. The value of stock of consumables engineering stores alone was Rs. 744.55 lakhs as on 31-3-72 which was equivalent to 37.2

months consumption as against the maximum stock level for 18 months provided in the Stores Manual of the Corporation. There was also large stock of slow moving and non-moving stores and spares. The value of such stores and spares (including Dakota and Viscount spares) as on 31st March, 1972 was Rs. 494.29 lakhs which constituted about 30 per cent of the total stores holdings. The Corporation still have surplus stores items of sky-masters worth Rs. 20.21 lakhs although the fleet was withdrawn from service in 1969-70. Similarly although Dakotas and Viscount are in the process of being phased out, the Corporation had high stock of stores for these aircraft.

The Committee have desired that immediate steps should be taken for the determination and disposal of surplus stores as the delay in the disposal of surplus stores not only adds to the heavy inventory carrying cost, blocking up the capital, but also adds to the loss in their disposal because of the low sale value of these outmoded aircraft.

14.32. The Committee have also found that even in the case of HS-748 aircraft the stores holdings of consumables has increased from 20.2 months' consumption in 1970-71 to 30.1 months consumption in 1971-72. In view of the fact that HS-748 aircraft is being indigenously manufactured by a public undertaking it should be possible for the Indian Airlines to rationalise inventory holdings for the indigenous stores and spares.

14.33. The Committee have also viewed with concern the delay in the disposal of surplus Dakotas and Viscount aircraft. 15 Dakotas were grounded on various dates from 2nd November, 1967 onwards. Pending disposal of these aircraft the Corporation had been incurring expenditure of Rs. 84,204 per annum (Rs. 72,000 per parking and moving charges and Rs. 12,204 as the maintenance cost) on the grounded aircraft. Even at present, there are five Dakotas pending disposal. Similarly in the case of Viscounts, 6 aircraft are pending disposal and the Corporation is incurring an expenditure of Rs. 69,600 per annum on parking charges.

The Committee have expressed the hope that every effort would be made by the Corporation to dispose of expeditiously the aircraft surplus to the requirements of the Corporation to avoid the locking up of capital and the expenditure incurred on their parking and maintenance.

14.34. The Committee have also pointed out that there had been frequent changes in the post of Chairman of Indian Airlines since its inception. During the last six years (1967 to 1972) the Corporation had five Chairmen. The Committee are constrained to observe that in spite of their recommendation in this regard in their earlier Reports as well as the recommendation by Administrative Reforms Commission/Sen Committee, the post of Chairman has been vacant off and on. The Committee have, therefore, reiterated their recommendations in earlier reports that the incumbents to these posts should be selected carefully, so that the person at the helm of affairs is able to fully implement plans and programmes of the Corporation and his experience in the field may be advantageously utilised.

14.35. At present the Indian Airlines is having a part-time Chairman and a full time Managing Director. The Committee have recommended that the Government should consider the desirability of combining these two posts.

14.36. As regards personnel, the Committee have pointed out that there has been a progressive increase in staff strength of Indian Airlines during the last five years (1966-67 to 1971-72) especially in Engineering, Traffic and Sales and Finance Departments and the total staff strength had gone up from 12349 at the end of 1966-67 to 14882 at the end of 1971-72.

It is only recently that the Industrial Engineering Unit and the Management Advisory Services Department have been asked to fix norms for the various jobs, and to look into the systems and procedures of work. A Manpower Planning Committee has also been set up for preparing a rolling Five Year Manpower Plan.

The Committee have stressed that these studies should be completed without delay and the staff strength for the various Departments of the Corporation should be realistically fixed and readjustments of staff made as necessary keeping in view the recommendations of Manpower Planning Committee and the norms evolved by the Industrial Engineering Cells Management Advisory Service Department, etc.

14.37. The Committee have found that in spite of the increase in staff, the amount of overtime paid to staff was as high as Rs. 298.97 lakhs in 1971-72 constituting 18.7 per cent of the total salaries and wages during the year.

14.38. The Committee have found that although the productivity in terms of ATKms per employee has been registering increase from year to year, it has not been commensurate with the increase in wages. The Committee have also found that the productivity of Indian Airlines is much lower than that of any other Airlines. The Committee have suggested that the wages should be linked with productivity so that the incidence of wages on the operating cost may be reduced and it may be possible to provide air services to the general public at reasonable rates. The Committee have desired that the Manpower Planning Committee appointed by the Corporation should undertake a study in depth and suggest appropriate measures to increase productivity and reduce the incidence of wages per ATKm.

14.39. The Committee have viewed with concern the unsatisfactory labour management relations in Indian Airlines which is a sensitive industry where it is possible for even a small number of employees in strategic sections of the corporation to resort to concerted industrial action resulting in the dislocation of services. Being the only domestic service and the process of production and consumption of the product being simultaneous the impact of labour trouble on the customers in terms of inconvenience and the financial loss to the Corporation is irretrievable.

The Committee have noted with regret that instead of finding a lasting solution to this problem, the Management had been trying to solve each problem as it arose. As pointed out by the Sen Committee "the industrial relations had been understood mainly as the negotiation of fresh contracts with the unions once in three years. In the meantime, things were allowed to drift." The agreements signed at present by the Management with the various unions are valid only upto March, 1973. The Committee have suggested that the Corporation/Ministry should not rest content with buying industrial peace in instalments through *ad hoc* measures and periodic wage hikes by should instead try to find an integrated solution acceptable to all negotiating separately with unions representing different trades but sections of the employees. The Committee have also desired that as

announced by the Minister of Tourism and Civil Aviation in Lok Sabha, the Government should set up a body to go into the entire salary structure of the Corporation with a view to rationalising it both vertically and in relation to the rest of the public sector.

14.40. The Corporation had suffered an accumulated loss of Rs. 1456.15 lakhs as on 31st March, 1972 which means that 68 per cent of the equity capital of the Corporation has been wiped out. The losses suffered in 1970-71 and 1971-72 alone amounted to Rs. 467.60 lakhs and Rs. 454.93 lakhs respectively. Even in 1972-73 although according to the budgetary anticipation the Corporation expected to make a profit of Rs. 295.27 lakhs, the trend of actuals upto January, 1973 indicated a loss of Rs. 64.39 lakhs. The Committee have stressed that unless affective remedial measures are taken by the Corporation to improve its working results through stricter control on major items of expenditure including fuel, oil, optimum utilisation of aircraft, increased productivity and control on staff strength, standardisation and modernisation of the fleet and rationalisation of route pattern etc. it would be difficult for the Corporation to remain a viable economic entity or make a positive contribution towards the internal resources for financing its Five Year Plans without becoming a burden on the national exchequer.

14.41. The Committee have found that the Sundry Debtors had increased from Rs. 717.03 lakhs on 31st March, 1970 to Rs. 967.23 lakhs on 31st March, 1972. The percentage of debtors to operating revenue has also increased from 15.9 to 17.7 during the corresponding period. The Committee also found that the debts outstanding for 3 years and more have gone up from Rs. 17.90 lakhs as on 31st March, 1970 to Rs. 38.74 lakhs on 31st March, 1972. Out of these, debts worth Rs. 24.38 lakhs were considered doubtful of recovery. The Committee have pointed that heavy outstandings result in avoidable loss to the Corporation by way of interest charges on the funds locked up and it is, therefore, imperative that effective steps are taken by the Corporation to realise expeditiously the outstanding dues, especially those which have remained unpaid for long. A review should be made of doubtful debts at least once every six months so that all possible steps are taken to recover the amounts.

14.42. The Committee have also taken a serious view of the inordinate delays on the part of the Management in taking action against the delinquent officials found guilty of serious lapses and in allowing them to continue in their posts unpunished. Such inordinate delays only create a doubt whether such delays were not intentional to

shield the delinquent officials. The Committee have therefore urged that Government should have a thorough probe made in these cases and fix responsibility for such inordinate delays on the part of management.

NEW DELHI;

April 10, 1973

Chaitra, 20 1895 (S)

SUBHADRA JOSHI,

Chairman,

Committee on Public Undertakings.

APPENDIX 1

(Referred to in Para 2.2)

Statement showing the composition of the fleet in use on certain dates together with the capacity in terms of A. T. Km.

Aircraft in use	As on 31-3-1954	As on 31-3-1956	As on 31-3-1961	As on 31-3-1966	As on 31-3-1967	As on 31-3-1968	As on 31-3-1969	As on 31-3-1969	As on 31-3-1971	As on 31-3-1972
I	2	3	4	5	6	7	8	9	10	11
1. Vikings	12	12	..	..	..	..	..	..	..	..
2. Dakotas	72	66	54	34	32	29	15	9*	8	8
3. Skymasters	3	6	5	3	3	3	..	..	..	..
4. Harons	..	8	..	..	..	..	..	..	..	..
5. Viscounts	..	..	10	12	12	14	14	14	9	6
6. Fokker Friendships	..	..	..	10	13	15	15	14	11	10
7. Caravelles	..	..	..	5	6	7	7	7	7	7
8. HS-748	..	..	..	..	..	4	8	14	14	13
9. Boeing 737	..	..	..	..	..	..	..	..	6	7
TOTAL	87	92	69	64	66	72	59	58	55	51

Capacity in terms of A. T. Km.

for the year (in millions) : 74·967 84·346 113·050 155·080 165·120 205·347 200·252 223·481 208·152 261·547

*In addition 2 Dakotas were kept stand by.

APPENDIX II

(Referred to in para 3.62)

Statement showing the 11 routes which did not meet the direct operating cost.

S. No.	Service No. and Sector as in 1969-70	(Rupees in lakhs.)									
		Loss over the direct operating cost					Overall load factor achieved and type of aircraft				
		1966-67	1967-68	1968-69	1969-70	1966-67	1967-68	1968-69	1969-70		
1	2	3	4	5	6	7	8	9	10		
1	267—268 Silchar-Imphal.	0.08	0.95	1.42	1.83	97.4 (DC-3)	93.3 (DC-3)	96.1 (DC-3)	96.4 (DC-3)		
2	255—256 Calcutta-Agartala-Silchar-Imphal	3.23	6.52	9.57	12.76	85.2 (DC-3)	81.0 (DC-3) ¹	87.7 (DC-3)	96.4 (DC-3)		
3	131—132 Bombay-Nagpur.	N. O.	0.52	4.76	1.27	NO. (DC-3 & (VC) |	36.4 (DC-3 & (VC)	39.2 (DC-3 & (VC)	49.0 (DC-3, VC & Avro)		
4	155—156 Bombay-Poona-Belgaum-Bangalore (Poona discontinued w.e.f. 15-4-1969)	14.29	11.62	4.88	6.02	58.9 (DC-3)	60.3 (DC-3 & (VC)	65.6 (F-27, HS-748, VC & Dakota)	51.7 (VC, F-27, Avro & Dakota)		
5	449—450 Delhi-Kampur-Lucknow	5.07	4.09	2.41	0.58	45.8 (F-27, VC & DC-3	47.5 (F-27, VC, & DC-3)	65.2 (F-27 VC & DC-3)	74.5 (VC & F-27)		

6	211—212	Calcutta-Gau-Jor-Lila-Mohan-Jorhat-Tezpur-Guhati-Calcutta	16·11	14·18	4·57	4·45	56·4 (F-27 & DC-3)	5·2 (F-27 & DC-3)	53·5 (F-27) (DC-3)	58·4 (B-27)
7	459—460	Delhi-Bhopal-Indore-Bombay-Delhi-Gwalior-Bhopal-Indore-Bombay w.c.f. November, 1969)	19·29	15·01	5·67	6·54	38·1 (VC)	47·3 (VC & Dakota)	53·7 (F-27) ¹ DC-3 & VC, & HS-748	63·7 F-27, DC-3 VC)
8	409—410	Delhi-Luck-Patna-Calcutta.	11·45	6·81	9·80	13·48	49·0 (F-27 & DC-3)	47·7 (F-27), VC & DC-3)	47·1 (VC & F-27)	54·5 (VC)
9	295—296	Calcutta-Rangoon	2·37	0·51	2·76	1·21	25·2 (DC-4 & VC)	31·2 (VC, F-27 & Skymaster & F-27)	30·3 DC-3, VC	34·5 (VC)
10	505—506	Madras-Madurai (Up to 14-4-1969 Madras-Trivandrum (w.c.f. 1-7-1969) Madras-Trivandrum (w.c.f. November, 1969) Madras- Colombo (15-4-1969 to 20-6-1969)	N.O.	2·14	1·13	1·83	N.O. (HS-748)	30·8 (HS-748 & DC-3)	63·1 (HS-748)	29·4 (HS-748)
11	577—578	Madras-Trichy	N.O.	0·59	0·80	1·12	N.O.	49·6 (VC & DC-3)	49·5 (VC, DC-3 & DC-3)	45·7 (VC, DC-3) HS-748)

APPENDIX III

(Referred to in para 3·75)

Statement Indicating the Routes Starred at the Instance of Govt. to Meet Regional Requirements or for Promotion of Tourism During 1966-67 to 1970-71.

Subsidy/Subvention Routes	(Figures in lakhs of Rupees)			
	1966-67			
	Loss on DOC.	Loss on TOC.	Subsidy claimed	Payment received
<i>Subventions :</i>				
1. Bom-Keshod-Porbandar	6·33	13·20	13·20	12·30
2. Bom-Ourangabad	4·18	9·04	9·04	9·03
3. Cal-Agrtala-Mhowi-Kamalpur-Kalashahar	3·63	6·68	6·68	5·46
4. Del-Chandigarh-Amritsar Jammu-Srinagar.	9·71	19·89	19·89	18·54
5. Del-Pantnagar . . . . .	..		
6. Cal-Bhubneswar				
7. Bhubneswar-Vizagapatnam				
8. Cal-Gaya (From Nov. '69) . . . . .	..	..	..	..
9. Agra-Jaipur.	3·80	8·18	8·18	7·93
10. Gauhati-Tezpur-Jorhut . . . . .	..	..
11. WEL-Agra-Khazurao . . . . .	..	..	..	..
12. DEL-Panna	0·58	1·72	1·72	1·70
13. Bombay-Indore (From 1-5-1966)	5·67	12·21	12·21	11·42
14. Bombay-Poona . . . . .	..	..
15. Bom-Baroda-Ahmedabad (suspended w.e.f. 25-4-66)	0·55	1·03	1·03	0·99
16. Lucknow-Bhopal-Nagpur/Nagpur-Hyderabad (Delhi-Lko-Bhopal)	6·28	14·63	14·63	14·16
17. Jaipur-Udaipur. . . . .	..	..	..	..
TOTAL	40·73	86·58	86·58	81·53

1967-68

(Figures in lakhs of Rupees)

Subsidy/Subvention Routes	Loss on DOC	Loss on TOC.	Subsidy claimed.	Payment received.
<i>Subventions</i>				
1. Bom-Keshod-Porbandar	7.53	15.78	15.78	14.58
2. Bom-Aurangabad.	5.59	12.67	12.67	11.33
3. Cal-Agratala-Khowi-Kamalpur-Kailashahar	4.51	8.36	8.36	6.72
4. Del-Chandigarh-Amritsar Jammu-Srinagar	2.13	20.63	20.63	19.39
5. Del-Pantnagar	0.89	1.56	1.56	1.50
6. Cal-Bhubneswar	3.86	3.65	3.65	3.99
7. Bhubneswar-Vizagapatnam. . . .	3.24	9.29	9.29	9.36
8. Cal-C ₁ ya (From Nov. '69) . . . .	..	..	..	..
9. Agra-Jaipur	1.46	4.53	4.53	4.56
10. Gauhati-Tezpur-Jorhat	5.13	10.58	10.58	10.39
11. DEL-Agra-Khazurao . . . . .	..	..	..	..
12. DEL-Panna	2.17	5.32	5.32	5.22
13. Bombay-Indore (from 1-5-1966) . .	..	..	..	..
14. Bombay-Poona . . . . .	..	..	..	..
15. Bom-Baroda-Ahmedabad (Suspended w.e.f. 25-4-66) . . . . .	..	..	..	..
16. Lucknow-Bhopal-Nagpur[Nagpur-Hyderabad (Del-Lko-Bhopal) . .	4.77	10.42	10.42	10.11
17. Jaipur-Udaipur.	(+)4.60	1.90	1.90	2.02
TOTAL	28.96	104.69	104.69	99.17

(Figures in lakhs of Rupees)

Subsidy/Subvention Routes	Loss on DOC	Loss on TOC	Subsidy claimed	Payment received
<i>Subventions :</i>				
1. Bom-Keshod-Porbandar . . .	6.31	15.00	15.00	14.15
2. Bom-Aurangabad . . .	0.84	7.94	7.94	7.82
3. Cal-Agartala-Khowi-Kamalpur- Kailashahar	9.21	16.71	16.71	14.05
4. Del-Chandigarh-Amritsar Jammu- Srinagar	(+)1.89	17.56	17.56	16.50
5. Del-Pantnagar	0.77	1.48	1.48	1.40
6. Cal-Bhubneswar	(+)3.42	4.19	4.19	4.45
7. Bhubneswar-Vizagapatnam	0.43	5.46	5.46	5.57
8. Cal-Gaya (From Nov. '69) . . . . .	..	..	..	..
9. Agra-Jaipur	(+)0.77	4.18	4.18	4.06
10. Gauhati-Tezpur-Jorhut . . . . .	..	..	..	..
11. DEL-Agra-Khazurao . . . . .	..	..	..	..
12. DEL-Panna	1.43	3.11	3.11	2.32
13. Bombay-Indore (From 1-5-1966) . . . . .	..	..	..	..
14. Bombay-Poona . . . . .	..	..	..	..
15. Bom-Baroda-Ahmedabad (suspended w.e.f. 25-4-66) . . . . .	..	..	..	..
16. Lucknow-Bhopal-Nagpur/Nagpur- Hyderabad (Del-Lko-Bhopal) . . . . .	..	..	—	..
17. Jaipur-Udaipur . . . . .	..	..	..	..
TOTAL	12.91	75.63	75.63	70.32

1969-70

(Figures in lakhs of Rupees)

Subsidy/Subvention Routes	Loss on DOC	Loss on TOC	Subsidy claimed	Payment received
<i>Subventions :</i>				
1. Bom-Keshod-Porbandar .	9.92	20.12	20.12	19.46
2. Bom-Aurangabad	4.46	14.88	14.88	15.57
3. Cal-Agartala-Khowi-Kamalpur-Kaila- shahar	14.99	25.89	25.89	20.90
4. Del-Chandigarh-Amritsar-Jammu- Srinagar	0.47	22.39	22.39	21.44
5. Del-Pantnagar	0.44	1.33	1.33	1.29
6. Cal-Bhubaneswar	(+) 2.51	5.93	5.93	6.51
7. Bhubaneswar-Vizagapatnam .	2.11	8.36	8.36	8.67
8. Cal-Gaya (From Nov. '69) .	0.59	2.05	2.05	2.13
9. Agra-Jaipur	2.28	6.42	6.42	6.28
10. Gauhati-Tezpur-Jorhat .	2.54	8.95	8.95	..
Gauhati-Tezpur-Jorhat	3.74	11.31	11.31	10.75
11. DEL-Agra-Khazurao	1.38	15.95	15.95	14.94
12. DEL-Panna . . . . .	..	..	..	..
13. Bombay-Indore (from 1-5-1966)	..	..	..	..
14. Bombay-Poona . . . . .	..	..	..	..
15. Bom-Baroda-Ahmedabad (suspended w.e.f. 25-4-66) . . . . .	..	..	..	..
16. Lucknow-Bhopal-Nagpur/Nagpur- Hyderabad (Del-Lko-Bhopal) .	..	..	..	..
17. Jaipur-Udaipur . . . . .	..	..	..	..
TOTAL	40.41	143.58	143.58	127.94

(Figures in lakhs of Rupees)

Subsidy/Subvention Routes	Loss on DOC	Loss on TOC	Subsidy claimed	Payment received.
<i>Subventions :</i>				
1. Bom-Keshod-Porbandar	11.45	21.94	21.94	18.57
2. Bom-Aurangabad	6.57	18.25	18.25	16.13
3. Cal-Agartala-Khowi-Kamalpur-Kailas- shahar	14.01	24.30	24.30	21.57
4. Del-Chandigarh-Amritsar-Jammu- Srinagar	5.13	31.52	31.52	29.19
5. Del-Pantnagar	0.75	1.74	1.74	1.62
6. Cal-Bhubaneswar		9.33	9.33	No pay- ment made as DOC is met.
7. Bhubaneswar-Vizagapatnam	4.65	12.69	12.69	11.64
8. Cal-Gaya (From Nov. '69)	3.91	7.79	7.9	7.28
9. Agra-Jaipur	4.20	10.55	10.55	9.87
10. Gauhati-Tezpur-Jorhat	2.44	8.74	8.74	8.53
Gauhati-Tezpur-Jorhat	3.67	10.65	10.65	10.12
11. DEL-Agra-Khazurao	14.94	39.44	39.44	36.58
12. DEL-Panna . . . . .			..	Service was dis- continued.
13. Bombay-Indore (from 1-5-1966)	..	..	..	..
14. Bombay-Poona . . . . .	..	..	..	..
15. Bom-Baroda-Ahmedabad (suspended w.e.f. 25-4-66) . . . . .	..	..	..	..
16. Lucknow-Bhopal-Nagpur/Nagpur- Hyderabad (Del-Lko-Bhopal) . . . . .	..	..	..	..
17. Jaipur-Udaipur . . . . .	..	..	..	..
TOTAL	71.72	196.94	196.94	171.10

Subsidy Route.	Loss on DOC	Loss on TOC	Subsidy claimed	Subsidy paid
1966-67				
Belgaum-Goa-Mangalore-Bangalore (Mysore Government) . . . . .	..	..	12·34	12·34
Delhi-Chandigarh-Kulu (Govt. of Himachal Pradesh) . . . . .	..		..	..
Calcutta-Portblair (Home Affairs' Ministry)	1·35	4·41	4·41	3·00
1967-68				
Belgaum-Goa-Mangalore-Bangalore (Mysore Government) . . . . .	..		..	..
Delhi-Chandigarh-Kulu (Govt. of Himachal Pradesh)	0·30	0·52	0·52	0·52
Calcutta-Portblair (Home Affairs' Ministry)	2·75	7·48	7·48	3·00
1968-69				
Belgaum-Goa-Mangalore-Bangalore (Mysore Government) . . . . .	..			..
Delhi-Chandigarh-Kulu (Govt. of Himachal Pradesh)	1·40	2·54	2·54	2·54
Calcutta-Portblair (Home Affairs' Ministry)	5·93	12·46	12·46	3·00
1969-70				
Belgaum-Goa-Mangalore-Bangalore (Mysore Government) . . . . .	..	..		..
Delhi-Chandigarh-Kulu (Govt. of Himachal Pradesh)	1·11	2·26	2·26	2·26
Calcutta-Portblair (Home Affairs' Ministry)	6·05	16·08	16·08	3·00
1970-71				
Belgaum-Goa-Mangalore-Bangalore (Mysore Government) . . . . .	..	..	..	..
Delhi-Chandigarh-Kulu (Govt. of Himachal Pradesh)	0·69	1·59	1·59	1·59
Calcutta-Portblair (Home Affairs' Ministry)	4·88	12·90	12·90	3·00

APPENDIX IV

INDIAN AIRLINES HQRS.

(D.E.P.)

Fifth Five year Plan Working Group Capacity Production and Traffic Estimates

Year	ATK (Millions)			RPK (Millions)			R.T.K. (Millions)			No. of PAX. (Million)		
	Alt. 1	Alt. 2	Alt. 3	Alt. 1	Alt. 2	Alt. 3	Alt. 1	Alt. 2	Alt. 3	Alt. 1	Alt. 2	Alt. 3
1	2	3	4	5	6	7	8	9	10	11	12	13
1972-73 .	348.729	348.729	348.729	2358.000	2358.000	2358.000	245.759	245.759	245.759	3.252	3.252	3.252
1973-74 .	379.106	379.106	379.106	2706.948	2706.984	2648.030	279.401	279.401	279.401	3.734	3.734	3.652
1974-75 .	461.350	457.106	457.106	3383.730	3261.916	3177.636	341.399	338.258	338.258	4.667	4.499	4.383
1975-76 .	609.550	554.606	512.000	4398.849	3930.609	3717.834	448.629	408.299	376.832	6.067	5.422	5.128
1976-77 .	767.500	671.606	592.000	5498.561	4747.386	4347.166	566.495	495.645	436.896	7.584	6.548	5.996
1977-78 .	890.350	774.956	668.050	6366.000	5466.598	4881.867	657.078	571.918	493.021	8.781	7.540	6.734
1978-79 .	1026.850	891.956	753.850	7308.160	6275.652	5466.598	757.815	658.264	556.391	10.080	8.656	7.540

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ALTERNATIVE :

1. RPK doubling every 5 years with unrestricted untapped potential.
2. RPK doubling every 5 years with restricted untapped potential.
3. RPK doubling every 6 years with restricted untapped potential.

Legend : ATK : Available Tonne Kilometer
 RPK : Revenue Passenger Kilometer
 RTK. : Revenue Tonne Kilometer
 Pax : Passengers.

APPENDIX V

INDIAN AIR LINES HQRS.

(D.E.P.)

Fifth Five Year Plan Working Group

Fleet Acquisition Plan included replacement of Aircraft Phased out

Year	STANDING		FLEET					ADDITIONAL TYPICAL AIRCRAFT REQUIRED					TO meet Traffic Growth		
	B-737	Car.	Vis.	F-27	HS-748	DC-3	To replace aircraft phased out	Alt. 1	Alt. 2	Alt. 3	Alt. 1	Alt. 2	Alt. 3		
I	2	3	4	5	6	7	8	9	10	11					
1. 1972-73	7	7	6	10	13+7	7	..								
2. 1973-74	7	7	6	10	23		..								
3. 1974-75	7	7	..	4	23		0.8	7.2	5.0	5.0					
4. 1975-76	7	7	7		23		0.6	7.6	4.1	4.1					
5. 1976-77	7	3	3		23		2.0	8.1	4.6	4.6					
6. 1977-78	7	3	3		23		..	6.3	3.9	3.9					
7. 1978-79	7	..	..	..	23		2.8	7.0	4.4	4.4			
Total additional to Fleet during Plan period	..	-7	..	-4	..	..	+6.2	+36.2	+29.2	+22.0			

- Alternatives :
1. Doubling of RPK's every 5 years starting 72-73 with unrestricted untapped potential.
 2. Doubling of RPK's every 5 years starting 72-73 with restricted untapped potential.
 3. Doubling of RPK's every 6 years starting 72-73 with restricted untapped potential.

APPENDIX VI

(Referred to in para 3.47)

Statement showing aircraft-wise cost and operating profit-loss per flying hour and revenue hours flown

Year	'A'			Direct Cost	5	6	'C'	'D'		
	Cost of operations per flying hour								Operating Revenue per flying hour	Profit (+)/Revenue Loss (-) per flying hour (Rs.)
	Fixed	Variable	Indirect Operating cost (Rs.)							
I	2	3	4	5	6	7	8			
Dakota										
1967-68	2.81	1196.14	472.08	1671.03	757.00	(-)-914.03	36,136			
1968-69	5.01	1378.63	600.28	1983.92	819.31	(-)-1164.61	17,128			
1969-70	15.33	1613.05	673.69	2302.07	827.00	-1475.07	11,867			
1970-71	15.23	1875.50	832.86	2723.59	860.00	-1863.59	8,096			
*Shy Master										
1967-68	19.84	2065.46	1110.60	3195.90	2153.00	-1042.90	2,509			
1968-69	46.42	2581.44	1059.54	3687.40	2172.30	-1515.10	1,146			
Viscount										
1967-68	56.80	2004.48	989.06	3050.34	2507.00	-543.34	23,046			
1968-69	65.42	2015.42	948.59	3029.43	2482.52	-546.91	26,801			

1969-70	74.72	2290.66	1049.33	3414.71	2520.00	(-)	894.71	29,172
1970-71	103.36	2530.67	1297.74	3931.77	2529.00	(-)	1402.77	22,502
<i>Fokker Friendship</i>								
1967-68	327.00	1193.53	824.78	2345.31	1863.00	(-)	482.31	28,455
1968-69	314.04	1265.16	805.12	2384.32	1918.48	(-)	465.84	32,858
1969-70	307.10	1471.23	965.84	2744.17	1928.00	(-)	816.17	32,836
1970-71	388.11	1730.69	1207.76	3326.56	1861.00	(-)	1465.56	24,402
<i>caravelle</i>								
1967-68	1112.33	3232.90	2944.22	7289.45	8771.00	(+)	1481.55	17,761
1968-69	1027.94	3415.98	2978.09	7422.01	9860.16	(+)	2438.15	21,134
1969-70	987.26	3834.04	3213.88	8035.18	10692.00	(+)	2656.82	21,322
1970-71	1163.13	4534.89	3874.73	9572.75	11109.00	(+)	1536.25	18,902
<i>HS-748</i>								
1967-68	819.11	1201.43	1269.09	3289.63	1720.00	(-)	1569.63	1,686
1968-69	517.38	1146.32	999.98	2663.68	2117.77	(-)	545.91	11,119
1969-70	485.68	1337.71	1068.64	2892.03	2305.00	(-)	587.03	25,130
1970-71	606.18	1605.87	1378.94	3590.99	2472.00	(-)	1118.99	28,310

*There was no Skymaster in operation in 1966-70 and 1970-71.

APPENDIX VII

(Referred to in para 3.47)

Statement showing actual and break even load factor in terms of percentage

Sl. No.	Type of Aircraft	1967-68		1968-69		1969-70		1970-71		1971-72		Remarks
		Break-even	Actual even	Break-even	Actual even	Break-even	Actual even	Break-even	Actual even	Break-even	Actual even	
1	Dakota	157.94	71.7	185.66	76.6	215.35	77.3	256.03	80.7	71.7	250	
2	Skymaster	88.43	59.6	108.03	63.4	Withdrawn from Service						
3	Viscounts	74.33	61.3	79.44	65.1	94.09	69.4	109.93	70.6	113	63.5	
4	Fokker Friendship	82.14	64.9	81.33	65.4	94.83	66.6	114.07	63.7	103	64.8	
5	Caravelle	57.56	69.5	60.39	80.2	64.40	87.7	57.57	87.6	69	77.1	
6	HIS-748	88.60	46.3	81.16	64.5	85.42	68.1	100.74	69.1	96	60.5	
7	Boeing 737	Introduced from January, 1971										
8	Overall for scheduled and non-scheduled services	65.8		73.6			77.0		77.6		68.4	
9	Overall passenger load factor for scheduled services	66.3		71.4			73.9		75.5		65.2	

APPENDIX VIII

(Referred to in Para 5.1)
Statement showing revision of fares during the period from June, 1958 to July, 1971

	June 1958	November 1960	September 1961	October 1961	June 1963	August 1967	November 1969	July 1971.
<p>Prior to nationalisation</p>								
<p>Between annas 4 & 2½ per passenger mile</p>	<p>Air Transport Council in May, 1957 recommended following tapers which were accepted by the Corporation for fixation of fares on I.A. Services.</p>	<p>Viscount fares raised to the maximum of the taper recommended by Air Transport Council.</p>	<p>Viscount fares raised by 10% above the taper recommended by Air Transport Council.</p>	<p>1. F-27 & DC-4 fares raised by 10% above taper 2. DC-3 fares except in Eastern Region raised by 5% above the taper</p>	<p>1. Trunk Routes 17% over taper 2. Viscount DC-4 & F-27 routes 15% over taper in Eastern Region 3. DC-3 except Eastern Region Taper 10% over 4. Eastern Region DC-3. 5% over taper.</p>	<p>115% increase on fares in respect of all aircraft. 2. 5% increase in Eastern Region except in Eastern Region 3. 3% increase in Eastern Region 4. Eastern Region over taper.</p>	<p>1.8% on routed operators except in the Eastern Sector where the increase is restricted to 7%</p>	<p>15% on all sectors except the Eastern Sector where the increase is restricted to 7%</p>

Millage Slab	Rate per mile-paise
1—30	40.63
31—100	31.25
101—200	29.69
201—500	28.13
501—900	26.56
901 and above	25.00

With discretion to these rates up to 15% lower

The fares were revised on 15-6-1958.

APPENDIX IX

Statement showing the workload, targets laid down in respect of major jobs and achievements thereagainst

(Figures in Nos.)

Description	1966-67		1967-68		1968-69		1969-70		1970-71		1971-72	
	1	2	3	4	5	6	7	8	9	10	11	12
	Targets	Achievements	Target	Achievements	Targets	Achievements	Targets	Achievements	Targets	Achievements	Targets	Achievements
CARVELLE												
Airframe :—												
Check II Inspection	14	10	16	15	18	16	14.5	15	15	16	14	14
VISCOUNT												
(i) Airframe :—												
Check III Inspection	8	7	6	4	6	7	7.6	8	7	5	2	3
Check IV Inspection	9	6	7	9	8	6	7.6	8	6	6	4	4
(ii) Engines :—												
Dart 510 Engines	25	17	22	23	25	17	24.4	19	19	13	10	8
(iii) Propellers	25	34	34	32	37	42	41	37	34	26	19	10
FOKKER FRIENDSHIP												
(i) Airframe :—												
Check III Inspection	13	10	10	11	12	14	11.5	10	10	7	7	7
Check IV Inspection	14	9	10	6	12	10	11.5	7	7	8	6	6
(ii) Engines :—												
Dart 511/514 and 532	17	13	19	12	24	19	21.2	18	17	15	17	17

1 2 3 4 5 6 7 8 9 10 11 12

(iii) Propellers . . . 17 18 19 19 24 26 21 24 19 18 O/H 19 M.T. 13

SKYMASTER

(i) Airframe :—
Check III Inspection . . . 4 3 3 3 2 1

Check IV Inspection . . . 5 4 3 2 1 .. 1 ..

(ii) Engines :—

P. & W. R.200-DS . . . 14 10 9 6 4 8 .. 2 ..

(iii) Propellers . . . 7 5 5 1 2 3 .. 3 ..

HS-748

(i) Airframe :—
Check III Inspection . . . 1 .. 6 5 13-8 11 25 21 21 22

Check IV Inspection 1 5 4 13-8 10

(ii) Engines :—

Dart-531 2 .. 8 .. 19-3 9 25 120/H 20 22
5 7 Rect 35 21

(iii) Propellers 2 .. 8 .. 19 11 25 16 20 33

DAKOTA

(i) Airframe :—
8,000 hours/ 5 years overhaul . . . 5 1 6 5 3 3 2 1 2 1 2 1

4,000 hours/ 2½ years over-
haul . . . 5 10 6 4 3 3 3 1 1

(ii) Engines P & W. R. 1830-92.	83	82	62	66	38	49	22.2	25	19/H37 8 Rect.	13	25
(iii) Propellers	42	49	31	18	19	20	11	12	60/H 19 14M.J.	13	11

APPENDIX X

(Referred to in para 7.23)

Statement showing actual performance with reference to the norms fixed

	Standard man hours		Actual average man hours spent	Percentage of excess man hours over standard man hours	
	Original	Revised		Original	Revised
	1	2	3	4	5
VISCOUNT					
Check III Inspection (Period of inspection : Original—1,500 hours and Revised—2,000 hrs.)					
1966-67	7,900	9,085	13,489	71	48
1967-68	7,900	9,085	17,006	115	87
1968-69	7,900	9,085	17,072	116	88
1969-70	7,900	9,085	19,919	152	119
1970-71	7,900	9,085	18,042	128	98
Check IV Inspection (Period of inspection : Original—3,000 hours and Revised—4,000 hours)					
1966-67	13,000	14,950	24,701	90	65
1967-68	13,000	14,950	29,207	125	95
1968-69	13,000	14,950	30,623	136	104
1969-70	13,000	14,950	36,645	105	78
1970-71	13,000	14,950	36,642	182	145
CARAVELLE					
Check II Inspection (Period of inspection : Original—1,200 hours and Revised—1,250 hours)					
1966-67	4,500	8,000	9,316	107	16
1967-69	4,500	8,000	10,777	139	35
1968-69	4,500	8,000	8,446	88	6

	1	2	3	4	5
1969-70	4,500	8,000	9,503	111	19
1970-71	4,500	8,000	10,387	131	30
F-27					
Complete overhaul (Original —10,000 hours and Revised —2,000 hours)					
1966-67	15,000	17,250	26,745	78	
1967-68	15,000	17,250	21,966	46	27
1968-69	15,000	17,520	24,779	132	102
1969-70	15,000	17,250	26,098	74	51
1970-71	15,000	17,250	29,613	98	71
Check IV Inspection (Period of inspection : Original— 2,000 hours and Revised— 3,000 hours)					
1966-67	5,000	5,770	13,187	164	129
1967-68	5,000	5,750	12,360	147	115
1968-69	5,000	5,750	14,866	197	159
1969-70	5,000	5,750	14,194	184	147
1970-71	5,000	5,750	13,771	174	140
SKYMASTER					
Progress overhaul (Period of Inspection : 1,000 hours)					
1966-67	5,200	5,200	5,875	13	13
1967-68	5,200	5,200	7,598	46	46
1968-69	5,200	5,200			..
1969-70	5,200	5,200			..
Check III Inspection (Period of Inspection 500 hours)					
1966-67	700	700	3,254	365	365
1967-68	700	700	1,790	156	156
1968-69	700	700	1,551	122	122
1969-70	700	700	..		..
Check IV Inspection (Period of Inspection : 1,000 hours)					
1966-67	5,200	5,200	11,155	115	115
1967-68	5,200	5,200	13,250	155	155

	1	2	3	4	5
1968-69	5,200	5,200	14,681	182	182
1969-70	5,200	5,200	9,508	83	83
DAKOTA					
(8,000 hours overhaul)					
1966-67	14,000	14,000	24,429	74	74
1967-68	14,000	14,000	17,823	27	27
1968-69	14,000	14,000	23,843	70	70
1969-70	14,000	14,000	22,033	57	57
1970-71	14,000	14,000	28,211	102	102
(4,000 hours Inspection)					
1966-67	12,500	12,500	13,340	7	7
1967-68	12,500	12,500	16,229	30	30
1968-69	12,500	12,500	..	..	..
1969-70	12,500	12,500	14,805	18	18
1970-71	12,500	12,500	12,659	1	1
ENGINE OVERHAUL					
1966-67	1,400	1,500	4,498	221	203
1967-68	1,400	1,500	1,708	22	14
1968-69	1,400	1,500	1,472	5	..
1969-70	1,400	1,500	1,698	21	13
1970-71	1,400	1,500	1,835	31	22
HS—748					
Check III Inspection (Period of Inspection : 1,000 hours)					
1969-70 . . . .	..	1,470	3,623	..	146
1970-71			Discontinued		
Check II Inspection (1,500 hrs)					
1970-71	4,000	..	4,833	21	..

APPENDIX XI

(Referred to in para 8.3)

Statement showing the stores holding of Consumables and their consumption

	Stores holding of consumables (Rs. in lakhs)			consumption during the year (Rs in lakhs)			Stores holding of consumables in terms of months' consumption								
	1967-68	1968-69	1969-70	1970-71	1969-70	1970-71	1967-68	1968-69	1969-70						
1. Dakota	85.21	77.71	89.00	89.35	86.23	13.14	12.45	8.82	6.49	7.66	77.8	74.9	121.1	165.2	133.1
2. Skymaster	28.38	26.50	11.89	11.87	11.50	2.61	2.32	0.29	..	..	130.5	137.1	..	..	..
	(aircraft sold in 1969-70)														
3. Viscount	114.75	117.21	142.51	140.00	158.75	32.51	34.44	41.33	35.93	55.91*	42.4	40.8	41.3	46.7	34.1
4. Fokker	57.81	64.78	75.67	92.70	96.69	18.66	26.80	27.93	24.41	20.26	37.2	29.0	32.5	45.6	57.3
5. Caravelle	136.24	137.47	128.53	138.26	153.09	31.09	49.77	54.08	57.62	77.93	5.26	33.1	28.6	28.8	23.6
6. HS-748	3.30	20.92	35.01	58.44	94.29	0.21	7.35	21.83	34.63	37.65	188.5	34.2	19.2	20.2	30.1
7. Boeing-73	..	..	..	85.45	144.00	..	..	..	..	3.32	40.06	..	..	51.5	43.1
	(for 2 months)														
	425.69	444.59	482.41	616.07	744.55	98.22	133.13	154.28	162.40	239.47	52.0	40.0	37.5	45.5	37.2

NOTE:—The above figures are excluding freight, duty and incidentals.

APPENDIX XII

(Referred to in para 10.16)

Note re: Employee productivity

1. Definition of Airline employee productivity

1.1. ATKm is the unit of production of an airline. Therefore, ATKm per employee is generally adopted as a broad measure of employee productivity in air transport.

1.2. It must be recognised, however, that this is not a well defined standard unit of staff productivity because the production of ATKm is dependent on many other factors besides employee efficiency. It will be relevant to examine briefly the following parameters:—

1. Economics of scale.
2. Aircraft characteristics and fleet mix.
3. Operational network.
4. Economic and social environment.
5. Cost of labour and capital.
6. Level of mechanisation.
7. Agency policies.
8. Sub-contracting policies.
9. National employment policies.

2. Economies of Scale

2.1. IA is in the middle group of IATA carriers in as far as size is concerned. However, there is a very considerable difference in the size of the larger and middle size air carriers. For example, in terms of ATKm production, United Airlines is 49 times bigger than IA, TWA 44 times bigger; Lufthansa 10 times bigger, Swissair 6 times bigger; even Air India (budget of 1972-73) 3½ times bigger.

2.2. Indian Airlines, therefore, do not have the opportunity of enjoying the economies of size which are available to the larger

airlines. The productivity of IA on that score alone would be expected to be lower than that of such carriers.

2.3. However, IA intends to take advantage of the opportunities for growth in the 5th Five Year Plan and to expand its capacity considerably. This will improve the productivity of IA.

3. Aircraft characteristics and Fleet Mix

3.1. IA has six different types of aircraft beginning with a 30 year old DC-3 to the most modern jets like the Boeing 737. If we took into account the different series of each type, we could say that IA has in fact 10 different types of aircraft.

3.2. Additionally. IA uses Air India's Boeing 707 capacity on charter. Whilst such capacity is not credited for the purposes of assessing productivity it, nonetheless, requires the deployment of staff, specially traffic, reservations and administration.

3.3. The diversification of IA's fleet, whilst not unique, is rather accentuated in our case. It leads to a sub-optimal utilisation of skills and manpower. The management, however, in endeavouring to implement policies to standardise the fleet as much as possible.

3.4. The size and speed of the aircraft have also a very marked effect on the capacity output and, therefore, on productivity. One Boeing 747 produces approximately as much capacity as 100 DC-3 aircraft; however, the manpower required to operate and maintain a Boeing 747 is not anywhere near 100 times that of a DC-3. The benefit of economies of scale, as a result of the increase in size of the aircraft is, therefore, obvious.

3.5. A tabulation showing the average size and productivity of the aircraft in the fleet of IA and other airlines in 1970 is shown hereunder:—

Airlines	Average Payload (Tonnes)	Average speed (KM/Hr)	ATHm/Hr.
(1)	(2)	(3)	(4)
1 Indian Airlines	5.35	356	1,930
2 Air India	18.94	689	13,053
3 BOAC	18.03	726	13,078

1	2	3	4
4 BEA	9.86	454	4,470
5 ANSETT	8.40	488	4,140
6 TAA	7.05	438	3,330
7 WESTERN	15.07	688	10,378

(Extracted from 'IATA World Air Transport Statistics'—1970)

3.8. With such a relatively diverse, slow and small average size of aircraft it is inevitable that IA should require more men to produce the same output.

4. Operational network

4.1. In order to meet its social obligations, IA has to operate to a number of points, at a relatively low level of frequencies, mostly over very short stage lengths. Indeed, whilst the average stage length for IA operations is only 460 kms; it is 950 kms for all IATA carriers. A comparative statement of IA and a sample of other carriers average stage length is as shown in the following table:—

STAGE LENGTHS OPERATED BY SELECTED AIRLINES IN 1970 ON THE SYSTEM

	Kilometres		Kilometres
1. IA	460	2. ANSETT	622
3. BOAC	2862	4. TAA	500
5. AI	2215	6. Western	1120
7. BEA	569		

(Source : IATA World Air Transport Statistics 1970)

4.2. IA's average stage length is affected by its high frequency of landings. For example, to cover the London-New York distance of 5,500 kms. on the sector Calcutta|Dacca, an aircraft has to make 23

more landings and take-offs than on the North Atlantic; naturally, this imposes a correspondingly higher Engineering work-load on IA than on a trans-atlantic carrier. Similarly, IA has to promote, issue tickets and handle 60 passengers on the sector Poona|Bombay to achieve the same passenger kilometres as produced by one single passenger between Bombay and London. Obviously, this has an effect on the relevant staff requirements of, say, BOAC and IA.

5. Economic and Social Environment

5.1. It is well-known that labour efficiency in advanced countries is much greater than in developing countries. This is a phenomenon which depends on the level of economic development, historical traditions, perceived wants and expectations, motivational stimuli, professional and social environments and, to a certain extent, climatic conditions.

5.2. It is to be expected, therefore, that the productivity of airlines in the developing countries, including Indian Airlines, should be lower than in the more industrialised countries.

6. Cost of labour and capital

6.1. Management decisions concerning the replacement of machines for labour are normally governed by cost benefit perceptions of adopting one policy or the other. Given that in India labour is relatively cheap and abundantly available, whilst capital is scarce, industries in India are, in the normal course of events, more labour intensive than abroad. Other things being equal, therefore, even if IA were able to mechanise its operations to the optimum economic level, it would be more labour intensive than, say BEA. Hence, its labour productivity, expressed in manpower per unit of output, would and should be lower than in comparable airlines abroad. Therefore, to be efficiently managed, the Corporation should appear to be relatively overstaffed.

7. Level of mechanisation

7.1. Owing to the scarcity of foreign exchange and of internal resources, IA has not been able to mechanise its operations to the desirable level.

7.2. For example, the Corporation carries 2½ million passengers per year. In view of its exceptionally high load factor, the number of IA reservation enquiries per passenger carried (and therefore, the number of staff required to handle such enquiries) is much larger than most other airlines. Yet IA is perhaps one of the very few airlines carrying more than two million passengers per year which do not have a fully computerised reservations system.

7.3. Similarly, and for the same reason, the Corporation has had to employ staff rather than machines for functions such as handling of baggage, passenger and cargo handling, etc.

7.4. The Corporation proposes to take effective steps to increase the mechanisation of its operations in the immediate future, and provision has been made to that effect in its Fifth Plan.

8. Agency Policy

8.1. There has been a tendency throughout the world for airlines to decentralise the ticketing functions and to shed most of the work-load to travel agencies. IA, however, has continued to its old policy of booking most of the traffic through its own offices.

8.2. Whilst the management is reconsidering the economics of this policy, there is no doubt that it has affected the staff requirement in the ticketing and sales departments and led to consequential apparent reduction in output per employee.

8.3. A comparison of business transactions made through travel agencies by IA and some other companies is apparent from the following tabulation:

Airline	Traffic Revenue	Agency Commis- sion	Ratio (3/21%)
(1)	(2)	(3)	(4)
1. IA	Rs. 432,259,140	12,123,624	2.8
2. BEA	£ 128,824,000	10,362,000	8.0
3. BOAC	£ 195,532,000	11,678,000	6.0
4. AI	Rs. 686,818,190	54,296,965	8.0

(Source : Annual Reports)

9. Sub-contracting Policy

9.1. The maturing of air transport has resulted in the progressive division of labour in the various area of activity of the industry. Hence, airlines are progressively adopting a policy of sub-contracting to outside agencies specialised activities such as engine and component overhaul and maintenance airport ground handling, ticketing and ground transport. In IA, however, these functions have been retained with the normal scope of the Corporation's activities. It may be noted, incidentally that these activities *per se* have no bearing on the ATKm production of an airline.

9.2. The validity of inter-airline comparisons of productivity in terms of ATKm per employee becomes questionable in view of these differences in sub-contracting policies.

10. National Employment Policy

10.1. Partly due to the social environment, historical practices, and deliberate national employment policies, the Corporation employs a large number of staff to exercise functions which are highly mechanised abroad. These include the employment of peons, cleaners, loaders, porters and farashes.

10.2. The number of such employees in IA is estimated to be approximately 3,000 or 20 per cent of its work force. The employment of this staff, who are only very remotely connected with ATKm production, has a marked effect on the labour productivity.

11. Conclusion

11.1. ATKm per employee is an unsatisfactory and oversimplified measurement of labour productivity in air transport. It remains in existence for want of a better standard unit.

11.2. The Management of the Corporation is in the process of introducing Management by Objectives, in connection with which norms will be established for the productivity of each staff and each function taking into account the work situation. Simultaneously, the Manpower Committee recently appointed in IA is making a study of the manpower requirements of IA in this decade, so that the Corporation may achieve an optimal utilisation of its human and machine resources, taking into account the national environment and the industry requirements.

APPENDIX XIII

(Referred to in para 10.43)

Statement showing Department-wise overtime payments

Sl. Department/Branch	1967-68			1968-69			1969-70			1970-71		
	Over-time hrs.	Over-time amount (Rs. in lakhs)	% of growth of over-time hours over the previous year	Over-time hrs.	Over-time amount (Rs. in lakhs)	% of growth of over-time hours over the previous year	Over-time hrs.	Over-time amount (Rs. in lakhs)	% of growth of over-time hours over the previous year	Over-time hrs.	Over-time amount (Rs. in lakhs)	% of growth of over-time hours over the previous year
1. Flying Operation	1,21,043	26.85	12.90	1,35,052	30.44	11.57	1,50,291	28.36	11.28	1,59,522	24.70	5.14
2. Flight equipment, maintenance, repair and overhaul	14,85,911	74.02	18.58	15,30,308	78.30	2.99	19,43,172	104.62	27.11	20,52,253	119.57	5.50
3. Traffic & sales	6,95,949	24.01	4.32	8,40,593	30.42	20.78	14,36,778	51.14	70.92	18,92,380	65.28	31.71
4. Pax Services	3,07,883	12.12	47.96	3,39,732	14.32	10.34	4,10,516	16.55	20.83	3,89,901	13.96	5.02
5. Surface transport	3,19,178	10.66	(-)	3,35,899	11.62	5.24	4,34,178	15.33	29.26	4,95,909	17.68	14.22
6. General administration	1,51,600	6.06	14.00	1,46,108	6.36	(-)	1,01,550	90.09	(-)	3,49,476	16.16	244.14
(a) Accounts & audit	4,09,014	8.75	42.25	5,22,008	10.38	27.63	3,85,305	13.64	(-)	4,85,026	16.74	25.88
(b) Administration	34,90,578	162.47	16.08	38,49,700	181.84	10.29	48,63,790	238.73	26.34	58,24,467	268.09	11.9
TOTAL :												

NOTE:—1. Flying operation includes ground operation staff but excludes cabin attendants;
2. Pax services include cabin attendants.

APPENDIX XIV

(Referred to in para 11.37)

Sundry Debtors as on 31-3-1972

(Rupees in lakhs)

Particulars	Dues upto		Dues for				Considered		Total as on 31-3-72
	31-3-69	1969-70	1970-71	1971-72	Good	Doubtful	31-3-72		
I	2	3	4	5	6	7	8		
I. Amount due from Government and other sponsored Organisations									
(a) D.G.P. & T.		0.01	0.77	155.15	155.93	..	155.93	155.93	
(b) Customs Department (duty drawback)	4.30	0.15	...	0.08	0.23	4.30	4.53	4.53	
(c) Ministry of External Affairs	0.92	0.26	0.70	2.40	4.28	....	4.28	4.28
(d) Other Government Departments and other sponsored Organisations	11.33	10.39	11.27	203.02	232.80	3.21	236.01	236.01	
SUB TOTAL:	16.55	10.81	12.74	360.65	393.24	7.51	400.75	400.75	
2. Subsidy from Central/State Governments for Operations of certain routes									
	13.03	.65	9.18	145.35	158.25	9.96	168.21	168.21	
3. Amount due from Airlines	3.67	1.21	2.88	174.15	181.16	0.75	181.91	181.91	

	1	2	3	4	5	6	7	8
4. Amount due from Agents		0.01	0.11	0.14	8.36	88.62	..	88.62
5. Embassies and High Commissions		0.23	0.24	0.77	4.27	5.51	..	5.51
6. Newspaper Parties		6.91	0.64	0.03	15.18	15.86	..	15.86
7. Insurance claims		1.11	0.75	1.47	16.04	18.21	1.16	19.37
8. Other Sundry Parties (Traffic dues)		0.02	0.01	0.03	60.11	60.15	0.02	60.17
9. Other Sundry Parties (Non-traffic dues)		4.11	6.50	1.36	39.24	46.23	4.98	51.21
TOTAL:		38.74	20.92	28.60	903.35	967.23	24.38	991.61

APPENDIX XV

(Referred to in para 11.37)

Age-wise break up of Sundry Debtors as on 31-3-1972

(Rupees in lakhs)

	Government Department			Agents, Airlines and Others			Total
	31-3-70	31-3-71	31-3-72	31-3-70	31-3-71	31-3-72	
1. Debts outstanding for less than 2 yrs.	286.17	217.12	527.92	419.07	326.93	404.03	705.24
2. Debts outstanding for 2 years and more but less than 3 years	5.40	4.98	11.46	2.74	4.23	9.46	8.14
3. Debts outstanding for 3 years and more	11.96	18.96	29.58	6.74	11.05	9.16	17.90
	302.73	295.06	568.96	428.55	342.21	422.65	731.28
							637.27
							991.61

APPENDIX XIV

(Referred to in para 11.45)

Details of Doubtful Debts

As on 31-3-1972

(Rupees in lakhs)

S. No.	Name of the party	Amount	Total Amount
<i>ITEMS ABOVE Rs. 5,000 -</i>			
1. Government Parties			
	(i) Ministry of Home Affairs	5.90	
	(ii) Government of Orissa	4.05	
	(iii) Customs Department	4.30	
	(iv) Director General of Ordinance Factory, Calcutta	0.40	
	(v) Maharashtra Housing Board, Bombay	0.13	
	(vi) Aerodrome Officer, Bombay	0.47	
	(vii) Air Headquarters, New Delhi	0.12	15.37
2.	Hindustan Aeronautics Ltd., Kanpur		0.32
3. Airlines			
	(i) R.N.A.C.	0.77	
	(ii) Trans Mediterranean Airways, Bombay	0.86	
	(iii) Schreiner Airways	0.09	
	(iv) Other Airlines	0.79	2.47
4.	Airways London, UK.		3.00
5.	Life Insurance Corporation		0.23
6.	Insurance Claims recoverable		0.15
7.	Stations Debts		0.44
8.	Other Sudry Parties		1.86
	SUB-TOTAL		23.84
9.	Other Debtors below Rs. 5,000.		0.54
	TOTAL		24.38

APPENDIX XVII

(Referred to in para 12.2)

Statement indicating the details of acquisition positioning and utilisation of Caravelle ground handling equipment.

Sl. No.	Name of equipment	Quantity received	Foreign re-exchange component	Rupee component	Total	Date of receipt	Remarks
1	2	3	4	5	6	7	8
(Rupees in lakhs)							
1.	Plates formes Hydraulic Elevators Type—D56	4	10.92	7.68	18.60	April/June, 1967.	One unit of the equipment is positioned at each base at Delhi, Calcutta Bombay and Madras. The equipment has not been utilised at Madras. The equipment at Bombay and Calcutta bases is being utilised constant while at Delhi 3 is being used mainly for Viscounts.
2	Elevators Marrel	6	12.34	8.98	21.32	April/June, 1967.	One unit each of Elevators Marrel is positioned at Madras Calcutta, Delhi and Hyderabad and two at Bombay bases. The equipment had not been utilised at Hyderabad and was transferred to Madras in December, 1969 and is now lying idle there. Another unit was transferred to Madras from Bombay in August, 1967. The unit at Calcutta has been put to use with effect from March, 1969 while units at Delhi, Madras and Bombay are being utilised by the cabin and Catering Division.

1	2	3	4	5	6	7	8
3	Diesel Engine Fork lift Trucks	5	13.76	3.78	17.54	April, 1967.	One Fork lift is positioned at each base at Delhi, Madras, Calcutta, Bombay and Hyderabad. It has not been used at Madras and Hyderabad while at Calcutta this is being used as and when required. The equipment is, however, continuously/frequently being used at Bombay and Delhi.
4	Tracma Towing Tractor TD 500 Series BHW	7	15.90	11.00	26.90	April/ June, 1967.	Before the receipt of this tractor the Corporation was doing the towing work at Bombay with the help of indigenous tractors. The suitability of indigenous tractors was recommended by the Area Manager, Bombay Sr. T.O., Delhi/Bombay and also by the IAF because it could tow an aircraft weighing upto 40 tons as against the weight of a Caravelle aircraft which weight only 26 tons. However, in times of emergency the Air India's imported tractors were available on hire. One tractor each at Madras, Calcutta Delhi, Hyderabad and Bangalore and two at Bombay base have been positioned. The tractors have not been used at Bangalore Hyderabad, Madras while at Calcutta it has been stated to have been used as and when required. At Delhi, occasions for using this item in the past were very rare. The tractors are however, stated to be in use for about 150 to 175 hours per month at Bombay.

1	2	3	4	5	6	7	8
5	Toilet Servicing Unit	5	3.20	2.32	5.52	June/ July, 1967.	<p>On receipt of the vehicles at the bases (2 at Bombay 1 each at Delhi, Calcutta and Madras) in June-July, 1967 It was noticed that these could not be put to use as hoses and suitable couplings for connecting the vehicle and the aircraft had not been received.</p> <p>In September, 1969 the management have intimated that the hoses were locally fabricated in Bombay and the connections were received in May, 1969. It was also stated in July, 1970 that these Units are being used at all the bases except at Madras where the Corporation has alternative arrangements for servicing of aircraft toilets.</p>
				TOTAL		89.88 lakhs	

NOTE :—After excluding the value of equipment (Rs. 23.92 lakhs) based at Bombay the value of equipment amounting to Rs. 65.96 lakhs is not being fully utilised.

APPENDIX XVIII

(Referred to in paras 12.12 & 12.28)

COPY OF LETTER No. H|EG|04|R|1002|2342, DATED 16TH AUGUST, 1972
FROM THE DIRECTOR OF ENGINEERING IA HQRS. TO CHIEF AUDIT
OFFICER, I.A., NEW DELHI.

SUB: Utilisation of French Ground Handling Equipment.

Reference your letter dated the 12th August, 1972 on the subject of examination by Committee on Public Undertakings and subsequent discussion in DE's Office this afternoon.

As desired, the required information is given below:—

1. *MARREL ELEVATOR*: The disposition of this equipment is as follows:—

Calcutta	..	1
Delhi	..	1
Madras	..	2
Bombay	..	2

The equipment is under the charge of the Catering Department and is used for loading and unloading the catering items to and from the aircraft. This equipment is serviceable at all other places excepting Calcutta where the necessary repair is being under taken by th Motor Transport Department. The hours run are as follows:—

Bombay	—	Unit No. 1 :	3210
		Unit No. 2 :	1947
Delhi	—		1788
Madras	—	Unit No. 1	1095
		Unit No. 2	1122
Calcutta			1997

2. *TOILET SERVICING UNIT*: The disposition of this unit is as follows:—

Calcutta	—	1
Delhi	—	1
Bombay	—	2
Madras	—	1

The unit at Calcutta is undergoing repair as the cylinder head gasket has blown off. The unit has done till date 26711 km. The

unit at Delhi has done 2652 km. The units at Bombay have done 13543 (Unit No. 1) and 214063 km. (Unit No. 2). The unit at Madras has done 2901 km. The figures may not be accurate. Correct figure will be supplied later.

3. *TRACMA TRACTOR*: The disposition of this unit is as follows:—

Calcutta	—	1
Delhi	—	1
Bombay	—	3
Madras	—	1

This equipment was purchased for towing Caravelle aircraft. Since the Caravelle and Boeing aircraft are normally parked in the Bay and routine checks are carried out on the Bay itself and only in case of major snag the aircraft are towed to the Hanger, the utilisation of this tractor is not very much. The hours position is as follows:—

Calcutta	—	230
Delhi No. 1	—	1726
No. 2	—	2072
Madras	—	42
Bombay No 1	—	663
No. 2	—	386 (Under repair, awaiting part)
No. 3	—	1409

4. *HYDRAULIC ELEVATOR (PLATFORM TYPE)*: This is used as and when required at the time of servicing the aircraft for the purpose of reaching the Elevated portion of aircraft e.g. Rudder, Fin. etc. and also for removal and installation of Anti-collision lights and radio antennas and aerials. The distribution is as follows:—

Calcutta	—	1
Delhi	—	1
Bombay	—	1
Madras	—	1

The hours done are as follows:—

Calcutta	—	2410
Delhi	—	2124
Bombay	—	2334
Madras	—	1446

5. *YALE FORKLIFT*: The distribution of this equipment is as follows:—

Calcutta	—	1
Bombay	—	1
Hyderabad	—	1
Delhi	—	2

This equipment is being regularly used for lifting heavy articles such as engines and props., loading and unloading of spare engines for transshipment. It is also being used for handling of cargo shipment and at times, it is also being given on hire to outside parties. The utilisation is as follows:—

Bombay	—	2566
Delhi	No. 1 :	1518
	No. 2 :	562
Hyderabad	—	932
Calcutta	Hrs. not available as meter damaged and U/S.	

Vide our memo. No. M|E|04|R|1002|2341, dated 16-8-72, we have advised Chief Engineers to maintain Log Books pertaining to the above equipment.

APPENDIX XIX

Summary of conclusions/recommendations of the Committee on Public Undertakings contained in the Report.

Sl. No.	Reference to Para No. in the Report	Summary of conclusions/recommendations
(1)	(2)	(3)
1	2.8	The Committee find that one of the important internal constraints of Indian Airlines is the multiplicity in the types of aircrafts some of which have become obsolete and uneconomic of operation. As mentioned in para 2.4 above, the variety in the types of aircrafts besides being a drag on the economic operations imposing burden on the costs and efficiency of the Airlines creates several other problems like high ratio of spare inventory, increase in training cost etc. as mentioned in para 2.5 above. The Committee would, therefore, reiterate their earlier suggestion in their 23rd Report (3rd Lok Sabha) that the Corporation should reduce the types of aircraft to the minimum and attempt at standardisation of its fleet consistent with requirements, economy and efficiency.
2	2.23	The Committee find that the cost of production of HS-748 aircraft which was estimated at Rs. 45 lakhs in 1965 has gone upto Rs. 131.84 lakhs. While for the 14 aircraft delivered earlier by HAL the Indian Airlines paid a price of Rs. 89.742 lakhs for each aircraft, there is no specific agreement regarding the price payable for the additional 10 aircraft to be delivered by HAL. The letter placing the order by Indian Airlines provides that the price to be paid to HAL for these 10 aircraft will be Rs. 92.742 lakhs per aircraft. But it also mentions that any escalation in this price to be proposed by HAL would be referred to Government for final decision. The Commit-

(1)

(2)

(3)

tee feel that the Corporation should have entered into a firm agreement with HAL in regard to the price payable for these aircraft as any escalation in the price would not only result in additional capital expenditure but would also affect the operating cost and consequently the profitability of the Corporation. Even if the provision for future escalation of price was considered unavoidable, the broad principles for calculation of escalation should have been spelt out and a ceiling fixed for the total escalation instead of leaving it ambiguous as mentioned in para 2.18 and the order should have been placed after working out the economics of the purchase of the aircraft on the basis of the maximum price payable for it.

3

2.29

The Committee regret to note the delay in acquisition of 10 HS-748 aircraft by the Indian Airlines. As pointed out by HAL, although the Corporation had informed HAL in October, 1969 that the purchase of ten aircraft had been approved by the Board of Directors, it was only on 29th April, 1970 that the order was placed on H.A.L. The delay was stated to be due to time taken in obtaining approval of Government and the settlement of terms of payment. It is surprising that it should have taken the Corporation 6 months to settle these matters.

4

2.30

The Committee also find that the delay in the receipt of these aircraft has affected the programme of phasing out of uneconomical and outmoded aircraft resulting in increased operational expenses. The Committee would urge that timely action should be taken to assess the future requirements of aircraft more realistically and orders placed well in advance to ensure delivery of the aircrafts according to the needs of the Corporation.

5

2.44

The Committee find that, according to the Report of the Task Force set up by Government of India and the evidence tendered by the Indian

(1)

(2)

(3)

Airlines, the performance of HS 748 Aircraft already in operation with Indian Airlines is satisfactory and there is no hazard whatsoever as far as safety is concerned. However, as stated by the Minister of Tourism and Civil Aviation, the fact remains that the performance of Avros has been the subject matter of prolonged controversy and a decision has now been taken by Government to institute a high level examination of all the aspects involved. The Committee would like to be informed of the results of examination.

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2.58

The Committee find that although the Technical Committee of the Indian Airlines recommended as far back as 30th May, 1968 that from the point of view of operating cost, airport performance, engineering facilities and Indian Conditions, the Boeing 737 would be the most suitable plane to be used on trunk routes. It was only on 14th January, 1970 i.e., after more than 19 months that Government approved the purchase of seven Boeing 737 aircraft. The main reason advanced for the delay was that the Board of Directors of Indian Airlines changed twice their decision about the type of the aircraft to be purchased and the Government came to know about some shady deal by a Senior Officer of Indian Airlines with the manufacturers of the DC-9, which required a thorough probe. Ultimately Indian Airlines Aircraft Evaluation Group was constituted by Government on 25th August, 1968 to evaluate the four planes namely Boeing 737, Boeing 727, TU-154 and BAC-111. The Report of the Evaluation Group was received by the Ministry on 29th Dec. 1969 and approval given by the Ministry on 14th January, 1970.

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The Committee regret to note that on account of delay in taking decision about the type of aircraft to be purchased by Indian Airlines, there had not only been escalation of price of Boeing-737 but the delay has resulted in loss of revenue to the Corporation.

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The Committee also desire that the prosecution case against the officer of the Indian Airlines alleged to be involved in a shady deal with the manufacturers of DC-9, which is at present pending in the court should be pursued. The Committee would like to be informed of the final outcome of the case.

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2.60

The Committee are distressed to find that the Corporation have not uptill now submitted to Government their proposals for augmenting their fleet during the Fifth Five Year Plan. The Committee feel that the Corporation with its experience of placing orders for Boeings in 1968-69 should have learnt the lesson and done advance planning for purchase of the aircraft. The Committee feel that the Government should take the initiative in the matter and ensure that a perspective plan for new aircraft (covering both requirements on additional and replacement account) is prepared having regard to the trends of traffic and other relevant technical considerations. It should be possible to draw up this perspective plan in detail in the light of the exercise done by the Corporation's own technical team in 1968 and the parameters and criteria evolved by the Indian Airlines Aircraft Evaluation Group appointed by Government in 1969. The Committee have no doubt that in selecting the aircraft, Government would ensure that it makes for economic operations and maintenance and is best suited to the Indian conditions and becomes available in time.

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2.83

The Committee view with concern the delay in the disposal of surplus Dakotas and Viscount aircraft. As mentioned in paragraph 2.63, 15 Dakotas were grounded on various dates from 2nd November, 1967 onwards. Pending disposal of these aircraft the Corporation had been incurring expenditure of Rs. 84,204 per annum (Rs. 72, 000 for parking and moving charges and Rs. 12,204 as the maintenance cost) on the grounded aircraft. Even at present there were five Dakotas pending disposal. Similarly in the case of Viscounts, 6 aircraft were pending disposal and the Corporation was incurring an expenditure of Rs. 69,600 per annum on parking charges. Besides, the Corporation was maintaining heavy inventory of spares for both the types of aircraft.

2.84

The Committee find that the Indian Air Force selected 10 DC-3 aircraft and requested for immediate delivery during July/August, 1968. Instead of delivering these aircraft immediately as required by the Indian Air Force, the Corporation delivered only 3 of these aircraft to I.A.F. during September, 1968, pending settlement of price. The matter remained under correspondence till July, 1969 i.e., for about a year when IAF informed Indian Airlines that they were no longer interested to acquire any more Dakota aircraft. Similarly, the offer received from a foreign party for purchase of 5 aircraft as a result of advertisement in August, 1969, did not materialise into a sale order. Because of delay in finalisation of the sale agreement and the approval of Government for the export of aircraft, the party withdrew their offer, as their foreign clients had in the meantime met their requirements from other sources. The Committee regret to note that the Corporation failed to act with the promptitude expected of a commercial organisation of the standing of Indian Airlines in dealing with such cases.

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2.85	<p>The Committee hope that every effort would be made to dispose of expeditiously the aircraft surplus to the requirements of the Corporation to avoid the locking up of capital and the expenditure incurred on their parking and maintenance.</p>	
10	3.12	<p>The Committee find that the Indian Airlines had been expanding its net work since its inception. There had been increase both in the number of stations and the scheduled services operated by the Corporation. The Committee, however, find that some of the new stations could not be connected by air, even though Indian Airlines desired to operate in these places, because of lack of airfields and allied facilities. The Committee failed to understand as to why there should not be a closer co-ordination between the D.G.C.A. and the Indian Airlines so that within the funds available there is proper synchro-nisation between the Corporation's ability to operate the service to any station and the completion of the required airports and allied facilities by the D.G.C.A.</p>
11	3.13	<p>The Committee note that the number of cities served by the Corporation has increased from 56 in 1953-54 to 74 in 1971-72 i.e. an increase of only 18 new stations during the period of 18 years. The Committee are concerned over this slow rate of growth in the number of new stations of Indian Airlines. Considering the inadequacy of road, rail and other quick means of transport in India it is necessary that the Indian Airlines should consider opening of more stations so that it can serve the nation better and sustain its traffic growth. The Committee, suggests that the Indian Airlines should undertake the necessary techno-economic feasibility studies of such area which have not yet been covered by air services. The Committee would also like that at least by the end of the fifth Five Year Plan all the States capitals and other important tourist centres are connected by air.</p>

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12	3.32	<p>The Committee regret to note the slow rate of growth of Indian Airlines in the last decade. Between 1960 and 1969 while the IATA carriers expanded their capacity at an average rate of 17 per cent per year and Air India by 14 per cent the rate of growth of Indian Airlines had been only 7½ per cent. According to the Corporation, the resources, specially the foreign exchange could not be spared in sufficient amount to buy the aircraft required to expand and modernise the Indian Airlines fleet. The under provisioning of capacity between 1960 and 1969 had been made up to some extent by the acquisition of seven Boeings 737 in 1970-71 but the Corporation had hardly been able to cope with the increasing traffic demands.</p>

3.33 According to estimates worked out by the Corporation, they require 29 additional typical aircraft (with a capacity of 19.5 million ATKms per year) during the Fifth Five Year Plan period (1974-75 to 1978-79) to meet the estimated demand of passenger and cargo traffic. In addition, they will require six aircraft for replacement of Caravelle and Fokker Friendship aircraft. According to year-wise estimate, the Corporation will require six to eight additional aircraft each year right from 1974-75 itself. The Committee, however, regret to note that no decision has yet been taken about the type of aircraft to be purchased for augmentation of the fleet.

With the experience of detailed exercise made as early as in December, 1969 about the criteria and parameters for selection of aircraft and about economics of various aircraft at the time of the purchase of Boeings 737, it should have been possible for the Corporation to complete the exercise about the selection of aircraft well in time and to submit detailed and definite proposals to Government to facilitate timely deci-

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sion regarding the type of aircraft to be purchased and for making available the required resources including foreign exchange. The Committee would urge that the decision in this regard should be taken soon to ensure that the new aircraft become available as per the demands of traffic and the requirements of Indian Airlines.

In this connection the Committee would also invite attention to their observation in paragraph 2.60.

- 13 3.34 The Committee also desire that the Corporation/Ministry should consult the HAL and the Research and Development wing of the Ministry of Defence and explore the possibility of manufacture of suitable aircraft for use by Indian Airlines on its net work instead of going for imported aircraft involving valuable foreign exchange.
- 14 3.35 The Committee are also concerned over the declining trend in Cargo traffic which had come down from 25,079 tonnes in 1969-70 to 20,665 tonnes in 1971-72—the lowest during the last five years. The Committee feel that there is potential market for cargo and earnest efforts should be made to exploit it. The Committee would suggest that study should be made of the measures adopted by domestic airlines elsewhere to attract goods and for ensuring their time bound delivery.
- 15 3.43 The Committee view with concern the low utilisation of various aircraft. The average utilisation of all types of aircraft had come down from 2174 hours in 1969-70 to 1981 hours in 1971-72. The utilisation of various aircraft is also lower than the optimum fixed by the Management itself in April, 1970. Thus, in the case of Fokker Friendship and HS-748 aircraft, as
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against the optimum of 250° hours, the actual utilisation in 1971-72 was only 2091 hours and 2027 hours respectively. Similarly in the case of Caravelle and Boeing 737 aircraft the actual utilisation was only 2402 and 2343 hours respectively as against the optimum of 3000 hours fixed by the Management. It is regrettable that while the Indian Airlines is short of modern aircraft, even those available are not being put to optimum use.

3.44

The Committee find that one of the reasons for low utilisation of aircraft especially Caravalle and Boeing 737 was shortage of adequately trained pilots. The Committee feel that the Corporation would not have been facing such a situation had there been forward planning on the part of the management to train sufficient number of pilots. The Committee recommend that the training programme should be so planned, budgetted and implemented that the Corporation may have adequate pilots for flying the existing and projected types aircraft to avoid under utilisation of the aircraft.

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3.45

The Committee need hardly stress that the aircraft used by Indian Airlines are most costly assets with limited effective life. In view of the fact that the Corporation was also having high load factor, it is essential to achieve maximum utilisation of these aircraft. The Committee therefore, recommend that effective steps should be taken for stepping up utilisation and to ensure optimum utilisation of the aircraft to improve the operating results of the Corporation.

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3.54

The Committee view with concern that there were operational losses on the majority of the aircraft in the fleet of the Corporation. The Corporation was suffering heavy losses on the operation of old and uneconomic Dakotas and Viscount aircraft, but still these were being operated by the Corporation mainly because of shortage

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of aircraft. There was also generally increasing trend of break-even load factor on various aircraft and in respect of F-27 and HS-748 aircraft, the break-even load factor was about 100 per cent which means that the aircraft would entail operational losses even if operated upto maximum capacity unless steps are taken to reduce operating expenses.

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The Committee were also informed that the routes on which the Corporation was suffering losses were overwhelmingly short haul routes which were more expensive to operate than long haul routes. The Committee feel that the Corporation should prepare route costs aircraft type-wise so that the economics of short sector and long haul operations by different types of aircraft may be available for critical study to enable the Corporation to deploy the right type of aircraft on various routes.

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3.56

The Committee desire that the Corporation should develop a sense of cost consciousness and make a critical analysis of the cost of operations with a view to improving the economics of the airline through effective control on major items of expenditure, optimum utilisation of aircraft, increased productivity, standardisation and modernisation of the fleet and rationalisation of route pattern, etc. to ensure that the Corporation remains a viable economic entity rather than becoming a burden on the national exchequer.

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3.57

The Committee would also suggest that the Corporation should make a comparative study of the performance of leading domestic airlines in other countries and take concrete measures with a view to improving the economics of operations.

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21	3.76	<p>The Committee regret to note that out of 103 routes operated by the Corporation in 1970-71 it was earning profit only on 15 routes taking into consideration the total operating cost. There has been large increase in the number of routes where the Corporation has not been able to meet the direct operating cost/total operating cost. The number of routes where the revenue fell short of total operating cost had gone up from 28 in 1966-67 to 39 in 1970-71. The amount of deficit incurred on these routes during the corresponding period had also gone up from Rs. 195.15 lakhs to Rs. 314.13 lakhs. What surprised the Committee was that in 1970-71 the revenue on 49 routes fell short of even the direct operating cost (as against 32 in 1966-67) and the deficit with reference to total operating cost was as high as Rs. 885.17 lakhs as against Rs. 447.87 lakhs in 1966-67.</p>
	3.77	<p>One of the reasons advanced for the losses on these routes is that the Corporation being a public enterprise has certain social responsibilities and therefore had to operate even uneconomic routes. The Committee however, find that on the routes which had been started by the Corporation at the instance of Government, either to meet regional requirements or for promotion of tourism, the Corporation had been getting subsidy to the extent of total operating cost on these routes. It is, therefore, evident that other routes operated by the Corporation are those developmental routes which the Corporation considered to be justified on commercial considerations and the Corporation should be able to run these routes in a self-financing way after some time. The Committee desire that the reasons for incurring loss on a large number of routes should be analysed and remedial measures taken to improve their working by deploying suitable types of aircraft and by effecting economy in every field including overhead and administrative expenditure, purchase of spare parts etc.</p>

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22	3.78	The Committee suggest that before opening a new route the financial implications of operating it should be precisely worked out and decision taken at the highest level in this regard after taking into consideration all aspects.
23	3.79	The Committee also recommend that the Corporation should in consultation with the Ministry decide the routes/services which are not considered to be justified on commercial considerations or which cannot be considered as developmental routes but have to be operated by the Corporation in discharge of its social obligation. In respect of such routes, the Corporation should indicate in its Annual Reports, the extent of loss incurred on the operation of these routes, the various factors responsible for the continuing losses, the extent of loss suffered on account of each factor the quantum of subsidy received and the remedial measures taken by the Corporation to reduce the losses with special reference to steps taken to reduce costs and to attract more traffic. This would enable the Public and the Parliament to judge the overall performance of the Indian Airlines in true perspective.
24	3.80	The Committee would also suggest that the Corporation should undertake a periodical performance review of the working of the different routes especially those which prove to be uneconomical, with reference to the cost of their operations and the revenue earned with a view to taking timely remedial measures to reduce the losses on such routes.
25	3.90	The Committee regret to note that owing to non-adherence to the terms of the agreement with the Government of Orissa, the Corporation had not been able to recover so far a subsidy of Rs. 11.91 lakhs payable by the State Government

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for operating Calcutta—Bhuvaneshwar—Calcutta air service upto 1966-67. The Committee agree that the introduction of a better type of aircraft or extension of service was not to the disadvantage of the State Government but the Committee see no reason why the concurrence of the State Government could not have been obtained by the Corporation to the proposed change to obviate the possibility of the State Government taking advantage of a technical point to refuse the payment of subsidy. The Committee hope this would be kept in view in future so that the Corporation is not put to avoidable loss in such cases.

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3.100

The Committee view with concern the increasing loss suffered by the Corporation on the operation of Calcutta/Port Blair Service. As against the deficit of Rs. 2.79 lakhs in 1965-66, the deficit had increased to Rs. 16.09 lakhs in 1969-70. On the other hand the Government have not yet agreed to reimburse the deficit in excess of Rs. 3 lakhs per annum, with the result that the balance of Rs. 38.33 lakhs is still outstanding.

3.101

The Committee also regret to note that although since 1966-67, the amount of deficit had been more than the subsidy of Rs. 3 lakhs, the question of the payment of any subsidy in excess of Rs. 3 lakhs has not yet been decided even after the lapse of more than 5 years. The Committee recommend that the quantum of subsidy to be paid on this service should be settled expeditiously.

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3.119

The Committee regret to observe that the long delays occurred in the settlement of the bills pertaining to subsidy payable from Civil Aviation Development Fund during the years 1965-66 to 1969-70 and bills could be finally settled only on

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		<p>18th March, 1972. The main reason for non-settlement of the bills was stated to be the non-acceptance by Government of the basis of computation of revenue by the Corporation. The Civil Aviation Development Fund having been constituted in 1964, it is surprising that even after the lapse of eight years the principles which should govern the payment of subvention from the Civil Aviation Development Fund have not been finally decided. The Committee regret to note that no immediate steps were taken in this regard inspite of the recommendation of the Committee in para 28 of their 23rd Report (Third Lok Sabha) in March, 1966 suggesting 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.</p>
28	3.120	<p>The Committee recommend that, in order to avoid the delay in the payment of subsidy, the Corporation should maintain proper accounts so that all the relevant information is readily available for determination of the amount of subsidy payable in any year.</p>
29	3.121	<p>The Committee also note that as against the sum of Rs. 23.47 crores paid by Indian Airlines as excise duty from 1964-65 to 1971-72 on aviation fuel and oil, the amount appropriated to the Civil Aviation Development Fund during the period was only Rs. 9.04 crores. The Committee recommend that the feasibility of enlarging the scope of the payment of subsidy from Civil Aviation Development Fund, should be examined so that the Corporation is compensated to some extent the heavy financial burden shouldered by them on account of heavy duty on aviation fuel and oil.</p>

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4.23

In a vast country like India with the development of faster communications the airlifting of mails is a necessity and therefore, needs no emphasis. The Committee however, find that at present only 50 per cent of the first class mails (post cards envelopes and money orders) are being airlifted. One of the reasons advanced is that there was shortage of capacity with the Indian Airlines. The Committee however, find that the percentage of increase in mails carried by air during the last five years (1967-68 to 1971-72) had been only 19 per cent, as compared to 42 per cent in the case of passengers. It is, therefore, apparent that the airlifting of mails had not been given the importance it deserved. The Committee desire that satisfactory arrangements should be made by the Indian Airlines for the carriage of mails by air by ensuring regular operation of their services especially the night air mail service which is meant primarily for the carriage of mails and to deploy the right type of aircraft for these services to be able to carry the mails upto the prescribed capacity and to see that no portion of the air mails is off-loaded to accommodate the passengers.

The P & T Department being one of the biggest customers for Indian Airlines should get the best service in public interest.

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The Committee also desire that the Indian Airlines being a national net work, there should be coordinated approach in future planning so as to provide as far as possible for air carriage of all first class mails between the Centre and State Capitals and for this purpose the Corporation should make available to the P & T Department the requisite 'dead load' on assured basis.

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| 31 | 4.34 | <p>The Committee find that the mail rates originally fixed on the recommendations of the Air Transport Inquiry Committee have been revised thrice since 1951. However, instead of fixing the rates on a scientific basis, Government had been granting <i>ad hoc</i> increases from time to time. It is only in June, 1972 that the Government appointed a Committee to go into the question of revision of mail rates. The Committee find that the Committee on revision of Mail Rates in its Report submitted on 12th December, 1972 has suggested a formula for arriving at the rates payable by the P. & T. Department to the Indian Airlines for carriage of mails and has recommended that the formula may be in force from March, 1970 till 1978-79 <i>i.e.</i>, the last year of the 5th Plan unless reviewed earlier by mutual agreement. The Committee expect that the Corporation would take steps to determine the mail rates on the basis of formula suggested by the Committee on Revision of Mail Rates.</p> |
| 32 | 5.11 | <p>The Committee find that there have been several upward revisions of fares from those fixed in July, 1955 on the basis of recommendations of a Committee set up by the Corporation. The increase in fares on certain sectors with reference to 1955 base shows a rise ranging from 64 per cent to 121 per cent. The Committee note that these revisions have been made on an <i>ad hoc</i> basis by adding a percentage over and above the taper per mile recommended by Air Transport Council without correlating these to the actual cost of the operation of the fleet. The Committee therefore, recommend that the fare structure of Indian Airlines should be critically examined with a view to rationalise it and the studies being made by Indian Airlines in this regard should be expedited. The Committee also feel that while, as stated by the Secretary of the Ministry during evidence, it might not be a practical pro-</p> |
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position at present to reduce the fares in general, Government should consider the feasibility of introducing special services at low fares to meet the social requirements of the country and to make air travel within the reach of the less affluent sections of the society particularly in areas where there are no other easy means of transport. The Committee consider that the proposal of the Corporation to operate night services with Jet aircraft is a step in the right direction and they desire that urgent steps should be taken to finalise and implement this proposal.

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6.15

The Committee regret to note the unsatisfactory performance of Indian Airlines regarding 'on time' operation of their scheduled services. The number of services delayed in 1971-72 for 15 minutes and above was as high as 28,824 and constituted 35.6 per cent of the total number of flights during the year. In spite of the assurances given by Indian Airlines in reply to the comments in the Committee's earlier Report on Indian Airlines in March, 1966, (23rd Report, 3rd Lok Sabha) about the large number of delays in flights, the Committee are distressed to note the lack of any improvement in the position and instead they find only a deterioration year after year and the percentage of the number of services delayed to total number of flights had increased from 17.8 in 1967-68 to 35.6 in 1971-72. Needless to point out that the travelling public are greatly harassed and inconvenienced by such delays and cancellations. The Committee have been assured both by the Indian Airlines and the Ministry that they were doing their best to ensure that delays were reduced and the travelling public were not inconvenienced.

Certain remedial measures have been taken by the Corporation like involvement of all departments, creation of a task force, improving of

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communication system, procurement of additional equipment etc. to eliminate the delays. The Committee need hardly emphasise that air services are on the increase and therefore it is of utmost importance that 'on time' operations are ensured at this stage in the interest of building up a sound tradition. The Committee would also suggest that the Corporation should consider taking disciplinary action against persons found responsible for avoidable delays.

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6.16

The Committee also desire that the passengers should be informed timely of such delays in flights and the extent thereof preferably even before they leave their residence for airport. For this purpose, the Corporation should have the telephone numbers of passengers and a record should be kept of the time and the names of persons to whom message is given. The Committee would strongly recommend that measures for keeping the passengers informed of delays at the airport should also be tightened to avoid any inconvenience to the passengers and suggest that any failure to follow the instructions issued in this regard should be strictly dealt with.

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6.36

The Committee need hardly emphasise the desirability of making suitable arrangements for the supply of good quality food both at the airport restaurants and in the aircraft. In order to improve the catering arrangements at small airports, the Ministry had suggested to Indian Airlines as early as December, 1971 that at places where the good caterers were not forthcoming, the Corporation should open their own stalls so that refreshments such as tea, coffee, cold drinks, biscuits etc. could be provided and a Corporation of the size of the Indian Airlines should not feel shy and worried about the small and limited financial risks. The Committee note that this

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suggestion of Government was, however, not accepted by the Indian Airlines; instead the Corporation suggested that since Air India was also in the hotel trade and had taken over the restaurant at Bombay Airport, the Air India might be given the additional responsibility for looking after a few minor airports. The Committee would urge that the Corporation should ensure that satisfactory arrangements are made at all airports for supply of tea, coffee, cold drinks, snacks etc. to the passengers at reasonable rates whatever be the agency through which such facilities are provided.

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6.37

The Committee also find that there has been large increase in the cost of meals in the Corporation's kitchens at Bombay and Delhi after the Corporation started lifting of meals for Caravelles from Air India's kitchens at these places. One of the main reasons for the increase had been the large increase in the element of labour because of reduced work-load in these kitchens. The Committee desire that a careful review should be made of the workload in the Corporation's kitchens at these places and the staff employed should be consistent with the quantum of workload. The surplus staff if any should be suitably employed on other jobs. In the alternative the lifting of the meals from the Chefair of Air India should be only to the extent the Corporation's own kitchens were not able to cope with the requirements.

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6.38

The Committee feel that in the interest of economy, there should be full coordination between Indian Airlines and Air India in the matter of catering and deployment of surplus staff of Indian Airlines. The Committee strongly urge that both the Indian Airlines and Air India should conduct a surprise check periodically to ensure that the standard of catering arrangements is good and the food served is hygienic and well-balanced.

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38	6.39	<p>The Committee also find that the cost of meals in the Corporation's kitchen at Calcutta was the highest as compared to the kitchens at Bombay, Delhi and Madras. As stated during the evidence one of the reasons for the high cost of meals in Calcutta appears to be that the Corporation was getting from the Calcutta kitchen only 'light refreshments' and meals are generally obtained from outside. The Committee desire that the reasons for the cost of meals in the Corporation's kitchen at Calcutta being the highest should be investigated and remedial measures taken to reduce the cost. The Committee suggest that there should be a periodical review of the cost of supplies from the Indian Airlines kitchen by a Committee of Experts so that the cost can be kept under control.</p>
39	6.45	<p>The Committee regret to note that there had been inordinate delay in printing and delivery of the time and tariff schedules of Indian Airlines defeating the very objective of their publication and thus causing inconvenience to the public. Instead of being available to the persons concerned well ahead of the date on which they were to become effective, there was delay in delivery ranging from 36 to 76 days from the effective date. The Committee are surprised that the schedules with tariff were not even printed during 1971. The Committee note that recently a scheduling committee had been formed in Headquarters of the Corporation for preparation of an agreed schedule at least three months ahead of its effective date and least number of changes would be made in the scheme. The Committee hope that the steps recently taken by the Corporation would enable timely publication and ensure delivery of time and tariff schedules much ahead of the effective date.</p>
40	6.52	<p>The Committee note with deep regret that it took the Corporation about two years to complete the study of the economics of the proposal to levy the charges for the carriage of the passengers between city booking offices and Airports and vice versa, after the decision of the General Manager of the Corporation in this</p>

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		<p>regard as early as in January, 1969. Even after completion of the study, it took the Corporation another 16 months to actually introduce the scheme. In the meantime the Corporation suffered a loss of revenue of the order of Rs. 2.30 lakhs per month. The fact that it took the Corporation/Government more than 3 years to study and introduce a proposal for augmenting their revenue is not a happy reflection on the working of a commercial organisation like Indian Airlines.</p>
41	6.53	<p>The Committee also find that the present occupancy ratio of the passenger coaches was only 25 per cent of the seating capacity due to passengers resorting to alternate means of transport. The Committee urge that the reasons for such low occupancy ratio be carefully examined and immediate measures taken to improve it. In this connection, the Committee would suggest that the Corporation should also examine the desirability of reducing the charges per passenger and introduction of coaches with better amenities with a view to improving the occupancy ratio and thereby increasing the overall revenue earned from these coaches.</p>
42	6.54	<p>The Committee would also suggest that a detailed analysis should be made of the cost of operations of surface transport with a view to economising expenses on fuel, maintenance etc. so that expenditure incurred on surface transport is kept as low as possible.</p>
43	6.59	<p>The Committee note that the Indian Airlines had already obtained the services of the BOAC Consultancy Group under the United Nations programme to study the feasibility of installing a real time computerised passenger reservation system and studies in this regard had been started with the increase in the passenger traffic. The Committee hope that Indian Airlines would take advantage of this study and introduce, as early as possible, the system of real time computerised passenger reservation to cope with the increased passenger traffic.</p>

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- 44 6.80 The Committee also note that the Indian Airlines are already examining the possibility of having certain electric/mechanical aids and equipments to bring about improvement in baggages and cargo handling. The Committee would strongly urge that in order to cater to the rapidly growing traffic and to provide quicker and better facilities, the Indian Airlines should finalise their studies in this regard and introduce facilities without delay to improve the baggage clearance system and to cut down the time taken in booking and release of passenger baggages. The Committee hope that the various measures introduced or steps proposed to be taken would help in improving the services provided to the passengers. The Committee need hardly emphasise that the image of the Indian Airline depends on its personality perceptions of its consumers and the efficiency in the services offered. The Committee, therefore, desire that the Corporation should always ensure that the various amenities provided by it to the passengers are to their satisfaction so as to raise its image in the eyes of the travelling public.
- 45 7.16 The Committee find that the workshops of Indian Airlines fix annual production targets based on the programme of annual utilisation of the aircraft. The capacity of each workshop has however not been determined. The Committee feel that in order to ensure that the facilities provided in the workshops were being fully utilised, it is essential to determine the capacity of each workshop, on the basis of men and machines in position and the norms evolved for the various of types of jobs including periodical checks and running repairs. This would also enable the Corporation in long term planning for proper utilisation of spare capacity in each workshop on the basis of estimated quantum of workload.
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46	7.20	<p>The Committee regret to note that even after the Check IV inspection was carried out, for making it airworthy, the aircraft was never put on commercial operation nor the price realised proved to be better. The Committee are therefore, constrained to observe that the expenditure incurred on overhauling was avoidable.</p>
47	7.29	<p>The Committee note the low productivity in the workshops of Indian Airlines. The Committee find that the norms for various jobs were fixed as early as in 1964 and were revised only in 1969. Even those revised norms were stated to be pending examination in the light of discussion with various unions and associations of employees and had not been reviewed thereafter. A review of the actual man hours booked on various jobs showed that these far exceeded therevised norms fixed in 1969 and the variations ranged from 6 per cent to 365 per cent. The additional cost of extra man hours consumed (excluding overheads) over the revised norms worked out to Rs. 52.80 lakhs during the period 1966-67 to 1969-70. The Committee also regret to note the various malpractices and deficiencies pointed out by the Norms Committee which were responsible for the increase in actual man hours over the norms. The Norms Committee pointed out in 1969 that 'unless effective steps are taken to eradicate or considerably reduce the present malpractices and deficiencies (quite a few of which are common to all Departments of the Airlines) and to inculcate discipline in the Organisation, the spiral of rising man hours will continue.' The Committee are constrained to observe that inspite of these observations of the Norms Committee, no concerted efforts have been made in this regard and there was wide disparity in the norms fixed and the actual man hours booked on various jobs in 1970-71 also.</p>

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- 48 7.30 One of the reasons advanced for such a disparity was the defective job costing system and the booking of man hours by the Engineering staff to specific jobs or to heads like idle time, indirect or unallocated work etc. being not precise. It is regrettable that the importance of correct booking of time on various jobs has not been realised so far. The Committee recommend that the entire system of costing to various jobs in the shops may be reviewed and the defects in the system of booking of time may be removed so as to ensure correct accounting of cost of various jobs. The Committee also recommend that Norms for man hours should be fixed early on a scientific basis in consultation with the worker and trade unions so as to enable a realistic comparison with the actual man hours on various jobs and effective measures introduced to reduce the time taken on various jobs where it exceeded the fixed norms.
- 49 7.36 The Committee regret to note that not only the productivity of workshops was low but the available man hours were also not being fully utilised. The percentage of productive hours to total available man hours had gone down from 73.31 in 1968-69 to 71.81 in 1970-71. On the other hand, the percentage of overtime hours to total hours on jobs had increased from 16.59 in 1968-69 to 21.51 in 1970-71 resulting in increased expenditure on overtime payment. The two main reasons for low productive hours were excessive leave hours and indirect and unallocated hours. The Committee, therefore, urge that strict control should be maintained on absenteeism, overtime indirect, unallocated hours, etc. to reduce expenditure on repairs and maintenance of the aircraft. The Committee hope that appropriate steps would be taken by the Corporation to enforce the rules of productivity which formed part of the agreement reached between Management and the Union so that the level of productivity in the workshops in the different bases may be raised.
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50	8.27	<p>The Committee note that the stock of inventories in Indian Airlines as on 31-3-72 was of the order of Rs. 18.47 crores. The value of stock of consumables engineering stores alone was Rs. 744.55 lakhs as on 31-3-72 which was equivalent to 37.2 months consumption as against the maximum stock level for 18 months provided in the stores Manual of the Corporation. It has been stated that the utilisation of aircraft during the year 1970-71 all round was low correspondingly reducing overhaul and consumption of material though the fleet strength remained the same. The Committee, however, find that even in 1969-70 when the revenue hours flown were highest during the last five years, the stock of consumables was equivalent to 37.5 months consumption.</p>
	8.28	<p>The Committee regret to note that there was large stock of slow moving and non-moving stores and spares. The value of such stores and spares (including Dakota and Viscount spares) as on 31st March, 1972 was Rs. 494.29 lakhs which constituted about 30 per cent of the total stores holdings. The Corporation still have surplus stores items of sky-masters worth Rs. 20.21 lakhs although the fleet withdrawn from service in 1969-70. Similarly although Dakotas and Viscount are in the process of being phased out, the Corporation had high stock of stores for these aircraft amounting to Rs. 378 lakhs. The Committee also find that in the case of DC-3 aircraft there was large increase in the inventory of rotables in 1967-68 and 1968-69 and it went up from Rs. 24.29 lakhs in 1966-67 to Rs. 48.62 lakhs in 1968-69 i.e. an increase of over 100 per cent. The increase was stated to be mainly due to special provisioning of rotables amounting to Rs. 14.61 lakhs for overhaul of 30 engines belonging to M/s Royal Nepal Airlines Corporation, the contract for which eventually did not materialise. The Committee doubt the wisdom of purchasing large quantities of rotables for overhaul of these engines without first finalising the contract with Nepal Airlines.</p>

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| 51 | 8.29 | The Committee desire that immediate steps should be taken for the determination and disposal of surplus stores as the delay in the disposal of surplus stores not only adds to the heavy inventory carrying cost, blocking up of capital but also adds to the loss in their disposal because of low sale value of these outmoded aircraft. |
| 52 | 8.30 | The Committee also find that even in the case of HS—748 aircraft the stores holdings of consumables has increased from 20.2 months' consumption in 1970-71 to 30.1 months consumption in 1971-72. In view of the fact that HS—748 aircraft is being indigenously manufactured by a public undertaking, it should be possible for the Indian Airlines to rationalise inventory holdings for the indigenous stores and spares. |
| 53 | 8.31 | The Committee note that certain steps have recently been taken by the Corporation to streamline material provisioning and material consumption. The Committee hope that these steps which include computerisation of inventories will help in better control of inventories and in bringing them down to a reasonable level. |
| 54 | 8.39 | The Committee find that M/s. Rolls Royce Limited, manufacturers of Dart Engines had forwarded the catalogue of spares and tools required for the overhaul of the engines to the Calcutta office of the Corporation in April, 1966. It has been stated by the Corporation that there was no intention of placing orders for all the items and the requirements had to be carefully assessed in view of the difficult foreign exchange situation and this required some inter departmental coordination. Keeping in view that the validity period for the quotation from M/s. Rolls Royce Limited was to expire after 90 days i.e. by 10th June, 1966 the Corporation should have made arrangements for scanning the list and to place the orders for the required items, within the |
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validity period. The Committee regret to observe that the lack of coordination between the units of the Corporation and the delay at several stages had put the Corporation to an extra expenditure of more than a lakh of rupees in foreign exchange. The Committee recommend that the Corporation should ensure proper coordination between its different wings and take expeditious action in such cases to avoid lapses of this nature.

55 8.43 The Committee regret to note the long delay in submission of the Reports regarding physical verification and reconciliation of stores and assets to the Board of Directors/Comptroller and Auditor General of India. The Committee note that already steps are being taken to computerise the system of inventory and that such computerisation would help in streamlining the procedure for verification and reconciliation of stores. The Committee would like to emphasise the importance of fixation of a time limit for submission of reports of verification/reconciliation to the Board of Directors/Comptroller and Auditor General as delay in the submission of the Reports would only create difficulties in fixing responsibility and taking suitable remedial measures for excesses/shortages.

56 9.12 The Committee regret to note that there had been frequent changes in the post of Chairman of Indian Airlines since its inception. During the last six years (1967 to 1972) the Corporation had five Chairmen. The Committee are constrained to observe that inspite of their recommendation in this regard in their earlier Reports as well as the recommendation by Administrative Reforms Commission/Sen Committee, the post of Chairman has been vacant off and on. The Committee would, therefore, reiterate that the incumbents to these posts should be selected

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carefully, keeping in view the above recommendations so that the person at the helm of affairs of an undertaking like Indian Airlines is able to fully implement the plans and programmes of the Corporation and his experience in the field may be advantageously utilised.

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9.13

The Committee also find that at present the Indian Airlines is having a part-time Chairman and a full time Managing Director. The Committee would like to invite the attention of Government, in this connection, to the following recommendation of the Committee in para 182 of their 8th Report on Hindustan Aeronautics Ltd.:—

“The Committee feel that when the Chairman has no executive functions and is simply required to preside over the meetings of the Board there is no point in having one such in addition to a Managing Director. This makes the organisation top heavy without any attendant advantages. It leads to duality of control and clash of personalities. The Committee are, therefore, of the view that it will be better to combine the posts of Managing Director and Chairman.”

The Committee recommend that the Government should consider the desirability of combining these two posts.

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The Committee find that there has been progressive increase in staff strength of Indian Airlines especially in Engineering, Traffic and Sales and Finance Departments. The Committee on Public Undertakings had suggested in their 23rd Report (Third Lok Sabha) in March, 1966 that “an overall review of staff requirement should

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be made periodically to ensure that the disposition of the staff at the various places actually conforms to the increase or decrease in the workload necessitated from time to time." They regret to note that in spite of the above recommendation of the Committee no steps were taken all these years to review the staff strength by making a scientific study of the manpower requirements. It is only recently that the Industrial Engineering Unit and the Management Advisory Services Department have been asked to fix norms for the various jobs, and to look into the systems and procedures of work. A Manpower Planning Committee has also been set up for preparing a rolling Five Year Manpower Plan.

The Committee stress that these studies should be completed without delay and the staff strength for the various Departments of the Corporation should be realistically fixed and readjustments of staff made as necessary keeping in view the recommendations of Manpower Planning Committee and the norms evolved by the Industrial Engineering Cells Management Advisory Service Department, etc.

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10.19

The Committee find that although the productivity in terms of ATKm per employee has been registering increase from year to year, it has not been commensurate with the increase in wages. The productivity of Indian Airlines (in terms of ATKm) was much lower than that of any other Airlines. According to the Management the production of ATKm was dependent on many other factors

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besides employee efficiency. The Committee consider that even taking these into consideration the productivity of Indian Airlines cannot be considered to be satisfactory and there is scope for substantial increase in it. A large section of the technical employees of Indian Airlines are amongst the highest paid in the country. The Committee, therefore, desire that the wages should be linked with productivity so that the incidence of wages on the operating cost may be reduced and it may be possible to provide air service to the general public at reasonable rates. The Committee desire that the Manpower Planning Committee appointed by the Corporation would undertake a study in depth and suggest appropriate measures to increase productivity and reduce the incidence of wages per ATKm.

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The Committee note that the objective of the Manpower Planning Committee is to virtually double the productivity, measured in terms of ATKm per employee by the end of the Fifth Plan. The Committee would like the Corporation to take concrete measures to ensure that the objective is realised at the earliest but at any rate not later than 1979-80 (the last year of the Fifth Plan).

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10.28

The Committee find that the utilisation of the crew especially the First Officers and Radio Officers has been below the prescribed minimum of 50 hours during 1966-67 to 1971-72 (except for Radio Officers in 1966-67). The low utilisation of First Officers was stated to be due to the fact that they were being deployed only on the Dakotas as they did not have any endorsement except that of DC-3. Similarly Radio Officers were also required only on Dakotas and the Dakotas were being phased out gradually.

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| 10.29 | <p>It is surprising that inspite of the fact that the Corporation had a programme for phasing out gradually the Dakota aircraft, no appreciable steps were taken to train and employ all the surplus First Officers and Radio Officers on alternative jobs to avoid their under utilisation. The Committee expect the Corporation to ensure that the deployment of staff on various jobs is in conformity with the work load and any staff expected to be rendered surplus are trained in advance as necessary to ensure optimum utilisation.</p> | |
| 10.30 | <p>The Committee find that the utilisation of other crew members e.g. turbo-prop Captains, cabin crew and Flight Engineers was also below the limit of 50 hours per month during 1970-71 and 1971-72. The Committee note that the Corporation are now increasing utilisation of various aircraft which may make for better utilisation of existing staff. The Committee consider that the Corporation should have taken these measures earlier as there has been an ever increasing demand for air services in recent years.</p> | |
| 62 | 10.42 | <p>The Committee find that the Corporation agreed to pay an additional Radio Telephone Allowance of Rs. 400/- per month to all the pilots with effect from 1st November, 1965 for operating HF VHF RT. This has resulted in payment of allowance to even the Pilots/Co-Pilots who are operating Dakota aircraft and have flying endorsement only for this type of aircraft although the Radio Officers are required to be deployed on these aircraft. The Committee were informed that the additional payment on this account upto September, 1970 in Delhi and Calcutta Regions alone amounted to Rs. 16.38 lakhs. The Committee find that, on the other hand, the grounded Radio Officers who were withdrawn from other aircraft and who were</p> |

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trained and redesignated as Flight Operations Officers (Tech.) for flight planning duty could not be fully utilised.

The Committee were informed that there were 16 such surplus officers in Calcutta in 1969-70 and the expenditure on the pay and allowances of such surplus officers during the years 1966-67 to 1969-70 amounted to Rs. 8.18 lakhs (approx.).

The Committee have been assured that the surplus Grounded Radio Officers were now being fully utilised in the Flight Despatch Scheme. The Committee would like the Corporation to draw up a plan including necessary training well in advance to ensure that Radio Officers who become surplus on withdrawal of Dakotas are put to productive assignments.

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10.52

The Committee find that the amount of overtime paid to the staff of Indian Airlines was as high as Rs. 298.97 lakhs in 1971-72 constituting 18.7 per cent of the total salaries and wages during the year. The Committee regret to note that although in their 23rd Report in March, 1966 (para 200) they had recommended that overtime payment should be reduced substantially, the overtime payment had showed a continuous rising trend (an increase of 170 per cent within a period of five years) and the amount of overtime paid had gone up from Rs. 111.43 lakhs in 1966-67 to Rs. 298.97 lakhs in 1971-72. The Committee also note that the total staff strength of the Corporation had also increased by 20 per cent in this period (para 10.3). Viewed against this background the Committee feel greatly concerned about the increase in overtime allowance and recommend that the corporation should spare no efforts to increase the productivity, and exercise strict

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check on absenteeism and other wasteful practices about which a reference has also been made in para. 7.21 of this Report so as to reduce incidence of overtime to the minimum.

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10.66

The Committee view with concern the unsatisfactory labour management relations in Indian Airlines which is a sensitive industry where it is possible for even a small number of employees in the strategic sections of the Corporation to resort to concerted industrial action resulting in the dislocation of services. Being the only domestic service and the process of production and consumption of the product being simultaneous the impact of labour trouble on the customers in terms of inconvenience and harassment is immediate and considerable and the financial loss to the Corporation is irretrievable. As stated by the Minister of Tourism & Civil Aviation in his statement in Lok Sabha, "the country cannot afford to have constant break downs in its aviation industry. Aviation is one of the essential services in any modern developed country particularly in a nation like ours which is so vast and which is so far flung."

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The Committee regret to note that instead of finding a lasting solution to this problem, the Management had been trying to solve each problem as it arose. As pointed out by the Sen Committee "the industrial relations had been understood mainly as the negotiation of fresh contracts with the unions once in three years. In the meantime, things were allowed to drift." The agreements signed at present by the Management with the various unions are valid only upto March, 1973. The Committee consider that the Corporation/Ministry should not rest content with buying industrial peace in instal-

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ments through ad hoc measures and periodic wage hikes by negotiating separately with unions representing different trades but should instead try to find an integrated solution acceptable to all sections of the employees. In this connection, they would invite attention to the following recommendations of the Committee in their 17th Report (5th Lok Sabha) on 'Personnel Policies and Labour Management Relations'.

"The Committee consider that while the undertaking may hold direct negotiations, with the most representative union, a way should be found to associate representatives of other registered unions functioning in the undertaking when general questions pertaining to work-load, pay-scales, etc. affecting the workers of the undertaking as a whole are discussed so that agreed decisions may be more readily implemented."

"In the opinion of the Committee, a single bargaining agent in each undertaking is essential in order to reach any meaningful and lasting agreement with the workers. It will also avoid unhealthy competition between unions and reduce inter-union rivalries."

The Committee feel that the formation of a joint council in the Indian Airlines is a move in the right direction. The Committee also desire that as announced by the Minister of Tourism and Civil Aviation in Lok Sabha, the Government should set up a body to go into the entire salary structure of the Corporation with a view to rationalising it both vertically and in relation to the rest of the public sector.

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The Committee are enable to agree with the views of the Ministry given in paragraph

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10.74. In view of heavy expenditure involved in getting the commercial pilots' licence from the Flying Club, it is difficult for anyone with limited means to enter into this profession although he may be otherwise talented and has the aptitude for it. The main reason advanced for the inability of the Corporation to provide initial training for pilots is that the Corporation would have to incur an expenditure of over Rs. 30,000 on each candidate to bring him to the level of a commercial pilot licence holder. The Committee, however, feel that keeping in view the heavy expenditure incurred by the the Indian Airlines on the training of pilots after their selection by the Corporation, the expenditure to be incurred on their initial training should not be considered prohibitive. The Committee find that a school has already been opened by the Directorate General of Civil Aviation for imparting training to candidates for commercial pilots licence. However, the school selects candidates who already hold private pilots licence and have a minimum of 100 hours flying experience. The Committee suggest that the government should examine the feasibility of expanding the scope of this training and the school should select some candidates direct from the universities after proper screening and aptitude, test, etc. for purpose of training them as pilots. The Committee also suggest that as a measure of safeguard, Government should consider obtaining from the trainees bonds in proper form enforcing that after completion of training the trainees would serve only Indian Airlines/Air India for a specified period.

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11.22

The Committee are distressed to find that the Corporation had suffered an accumulated loss of Rs. 1456.15 lakhs as on 31st March, 1972 which means that 68 per cent of the equity capital of the Corporation has been wiped out. The losses suffered in

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1970-71 and 1971-72 alone amounted to Rs. 467.60 lakhs and 454.93 lakhs respectively. The Committee note that even in 1972-73, according to the budgetary anticipation, the Corporation expected to make a profit of Rs. 295.27 lakhs. However, the trend of actuals upto January, 1973 indicated a loss of Rs. 64.39 lakhs. An analysis of the operating expenditure and revenue during 1970-71 and 1971-72 indicated that the growth of operating expenditure had been at a faster rate than the operating revenue. Thus, while the operating revenue increased by Rs. 997.66 lakhs in 1971-72 as compared to 1969-70, the operating expenditure during the corresponding period increased by Rs. 1454.83 lakhs. The Committee have dealt with in the previous chapters of this Report, the various factors affecting the revenue and expenditure of the Corporation.

From the details of the growth of operating expenditure and operating revenue as given in Paragraph No. 11.5, it is seen that the increase in other staff costs had been to the extent of 46.2 per cent in 1971-72 as compared to 1970-71. From a break-up of the expenses under other staff costs, the Committee find that there was a phenomenal increase under (i) lay-over allowance to crew other than pilots; (ii) meals allowance to pilots (iii) hotel accommodation to crew. The Committee feel that there is scope for effecting economy in the expenditure under these heads by rationalisation.

According to the Corporation one of the reasons affecting the revenue is its heavy expenditure on excise duty and sales tax on fuel and oil. The Committee find that there has been an increase in the rate of consumption of fuel per hour in the case of Caravelle, Viscount and F-27 aircraft in 1971-72 as compared to 1969-70. The Committee need hardly stress that unless effective remedial measures are taken by the Corpo-

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ration to improve its working results through stricter control on major items of expenditure including fuel oil, optimum utilisation of aircraft, increased productivity and control on staff strength, standardisation and modernisation of the fleet and rationalisation of route pattern etc. It would be difficult for the Corporation to remain a viable economic entity or to make a positive contribution towards the internal resources form financing its Five Year Plans without becoming a burden on the national exchequer.

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11.30

The Committee are distressed to note that there are several deficiencies in the operation of the system of costing especially in the workshops and surface transport Departments. The Committee are surprised that even the system of maintenance of log books, submission of periodical returns of labour hours or overhaul cost have not been in vogue. There is not even a system of periodical submission of Reports in respect of large variation between actual and standard labour hours in the workshops. The Committee are surprised as to how any cost control is being exercised by the management in the absence of such basic information. One of the reasons advanced for some of these deficiencies is the paucity of staff. In the opinion of the Committee this reason can hardly be considered plausible. The Committee regret to observe that though the Corporation was aware of these deficiencies in the costing system, it was only recently that the Corporation chose to have a review of the costing system conducted. The report of such a review had been recently received and was stated to be under examination of the Management. The Committee recommend that the Corporation should complete examination of the Report expeditiously and take steps to streamline the entire costing system.

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68.	11.35	<p>The Committee are also surprised to find that although the Wheat Croft Committee emphasised as early as 1959 the need of determining the standard cost of operation, it is only recently that the feasibility of introducing standard costing is being examined as a part of overall review of the costing system. The Committee feel that the least that the Corporation could have done was to introduce such a system of standard costing in the interest of overall cost control.</p>
69.	11.48	<p>The Committee view with concern the heavy amount outstanding against the Sundry Debtors which had increased from Rs. 717.03 lakhs as on 31-3-70 to Rs. 967.23 lakhs on 31-3-72. The percentage of debtors to operating revenue had also increased from 15.9 to 17.7 during the corresponding period. The Committee also find that the debts outstanding for 3 years and more had gone up from Rs. 17.90 lakhs as on 31-3-70 to Rs. 38.74 lakhs on 31-3-72. Out of these debts worth Rs. 24.38 lakhs were considered doubtful of recovery.</p> <p>The heavy outstandings result in avoidable loss to the Corporation by way of interest charges on the funds locked up. It is therefore, imperative that effective steps are taken by the Corporation to realise expeditiously the outstanding dues, especially those which have remained unpaid for long. A review should be made of doubtful debts at least once every six months so that all possible steps are taken to recover the amounts.</p>
70.	11.49	<p>In this connection, the Committee also find that in spite of the fact that the billing system had been computerised it took the Corporation 60 to 65 days to despatch the bills to the parties concerned although originally it was planned to raise the bills within 15 days from the date of transactions. The Committee were assured that certain steps were being taken to reduce the time lag in raising the bills. They desire that</p>

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		the time taken in raising the bills should be periodically reviewed and effective steps taken to achieve the objective of raising the bills in respect of credit transactions within 15 days from the date of transactions, if not earlier.
71	11.56	The Committee regret to note that although according to the existing instructions, each station of the Corporation is required to be inspected by the Internal Audit at least once in two years, the audit of 38 stations had not been conducted by the Internal Audit Department of the Corporation even once since their establishment. The Costing Department and the data compiled by it were also not being audited by the Internal Audit Department. The paucity of staff could hardly be considered as a satisfactory reason for these failures. The Committee hope that as the Internal Audit Department has now been reorganised, it would become an effective instrument for management control and the auditing of all the stations would be regularly done as per the existing instructions.
72.	11.57	The Committee need hardly emphasise the importance of checking the data compiled by the Costing Department as they form the basis for the different aspect of financial control by the Management.
73.	11.58	The Committee also hope that with the experience gained so far in internal audit, it should be possible for the Corporation to finalise the Internal Audit Manual soon.
74.	12.27	The Committee are constrained to observe that there had been serious irregularities/lapses in purchase of ground handling equipment in 1966 which have been admitted both by the Management of the Corporation and the Ministry. Firstly, equipments valued at Rs. 89.88 lakhs (foreign exchange component of Rs. 56.12 lakhs) were purchased with a view to utilising the funds under the French credit without a careful examination of the need for it. The Chief Engineer

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(Headquarters) who looked into the matter observed in his Report in November, 1969 "there is no evidence in the engineering files (both Headquarters and Bombay) of calling for competitive quotations which I think is a mandatory requirement particularly for ground equipment and other capital items.....There is also no evidence in the engineering files of prior technical assessment of the French equipment in question as to suitability, utility etc. at each station for which it was intended. This assessment was all the more necessary as we have indigenous sources of supply of this equipment.....We have never in the past imported toilet servicing equipment and locally manufactured equipment costing a few thousands instead of lakhs was in use until about a year or so and working satisfactorily". The Committee feel that mere availability of foreign exchange should not serve as an excuse for placing orders for equipments which are neither required nor would in the normal circumstances be allowed to be imported. The Committee recommend that Government should issue suitable guidelines to the public undertakings in the matter of utilisation of foreign credits to obviate recurrence of such instances.

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12.28.

Secondly, the Committee find that the D.G.T.D. gave clearance to the purchase of some of these equipments within a few days of receipt of application and without making sure that these equipments were not available within the country and could not be indigenously manufactured.

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Thirdly, it is also regrettable that no specific prior approval of the Board was obtained for the purchase of the equipment. The matter was reported to the Board in February, 1967 where these items figured in a consolidated list of items of capital expenditure. This was in pursuance of the normal procedure of reporting capital expenditure exceeding Rupees twenty-five thousands per item authorised by the General Manager. Though according to the Management

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it was construed as approval by the Board the fact remains that such an approval was obtained *ex post facto* and was not a specific approval in detail.

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The Committee also find that as required under Section 35 (a) of the Air Corporations Act, no prior approval of the Government of India was obtained for the purchase of equipment exceeding Rs. 15 lakhs. It has been stated that approval of Government for the purchase of two additional caravelle aircrafts (7th and 8th) was accorded *vide* Ministry of Transport and Aviation letter No. 9|CA(10)|66 dated 21-7-66. The Committee, however, find that this sanction was only for the purchase of 2 additional 'Caravelle' aircraft together with related spares and spare engines from M|s. Sud Aviation of France and did not specifically cover items of ground handling equipment. It is strange that orders for some items of equipment costing about Rs. 58 lakhs were released even before the receipt of this sanction letter from the Government. As observed by the Secretary of the Ministry "quite apart from the fact that the purchase of ground handling equipment was not covered by either the authority of the Board of Indian Airlines or sanction of Government, these items worth almost Rs. one crore were purchased in what appears to be complete disregard of the established procedure etc. Some of the ground handling equipment so purchased have not been used at all by Indian Airlines due most probably to the fact that they were not required. Many papers connected with the transaction are reported to be missing from the files, which again creates further suspicion as to the bonafides of the transactions."

12.31.

The Committee are perturbed to find that the matter came to the notice of higher management in July, 1969 only. Although, the Internal

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Audit had raised questions regarding low utilisation non-utilisation of some of these items of equipment since May, 1967, it did not correlate them to the actual purchase orders and failed to bring to the notice of higher management well in time the serious irregularities/lapses in the placing of orders. The fact that the matter came to the notice of higher management only after about three years of placing of orders indicates that there are serious deficiencies in the working of the various departments of the Corporation which need to be rectified without delay.

76. 12.32.

The Committee also view with concern that even after the matter had come to the notice of higher management in July, 1969 and the Chief Engineer, who was asked to look into the matter in detail, had confirmed the various lapses in placing of orders in his report in November, 1969, the Management took another fifteen months to issue charge-sheets to the two officers concerned and to obtain their replies which were received only on 1st March and 15th April, 1971.

Thereafter, the matter was first referred to the C.B.I., in November, 1971 and then to Central Vigilance Commission in February, 1972. The advice of C.V.C. became available on 4th October, 1972. The Committee are informed that the two officers concerned have been retired from service with effect from 18th January, 1973.

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The Committee have also been informed at the time of factual verification of the report that the Indian Airlines had written to the Director, CBI on 4th December, 1972, indicating the irregularities of the case and requesting the Director, CBI to get the transaction investigated thoroughly as it was felt that "there is room to suspect that the purchases were not made in the interest of the Corporation and were due to ulterior motives of the person or persons in em-

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ployment of the Corporation and/or outside leading to a wrongful loss to the Corporation". A regular case on this matter was registered for investigation by the CBI on 25th January, 1973 under the Prevention of Corruption Act, 1947. On the same day an F.I.R. was registered with the Delhi Special Police Establishment under Section 154 Cr.P.C.

The Committee have not been informed of any reasons which have now prompted the Indian Airlines to file a formal complaint with the CBI at this late stage while earlier in November, 1971 the Corporation had decided not to do so as mentioned in paragraphs 12.13. It is significant to note that the letter to the CBI requesting them to investigate the case was written on 4th December, 1972 and the case registered on 25th January, 1973 after the officers concerned have been retired from service on the 18th January, 1973.

The Committee feel intrigued about the manner in which the whole case has been dealt with right from the beginning. It has taken the Management more than six months to take any conclusive action in the matter. Various papers connected with the transaction are also reported to be missing. The Committee would, therefore, strongly urge that the Government should make a thorough probe in the matter with a view to see how such serious irregularities remained unnoticed for such a length of time, why there was so much delay in taking action against the delinquent officials, and whether this delay itself was bona fide. The Committee desire that the responsibility should be fixed for the delay in taking action as also for the missing documents.

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The Committee also stress that effective remedial measures should be taken to obviate recurrence of such cases. They would also urge

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78.	13.19.	that expeditious and strict disciplinary action should be taken against all concerned in cases where such serious lapses occur so as to act as a deterrent to others.
		The Committee regret to note the inordinate delay in the construction of hangars and service complex at Bombay. Although the scheme was sanctioned by Government as early as December, 1964 and the project was to be completed within three or four years, the Corporation took about 3 years even for completing the preliminaries like selection of designs, architects, engineers and consultants, soil survey, etc. Thereafter the tenders for the work were invited only in January, 1968. What distressed the Committee was that the Corporation, in spite of such delays in completing the preliminaries, did not obtain the prior approval of the Government to the revised cost of the project which was estimated to be Rs. 124.15 lakhs as against the earlier estimates of Rs. 66.50 lakhs. It was only in August, 1968 that the Corporation approached Government for <i>ex post facto</i> sanction to the increased expenditure.
	13.20.	The Committee also find that although the Government deplored the action of the Corporation in not conducting soil investigation in the initial stages, the delay in the execution of the project and taking up the work without prior approval, they (Government) themselves took about 18 months to sanction the revised estimates which were approved in February, 1970. The Committee see no justification for such long delays in sanctioning the estimates.
	13.21.	The Committee are unhappy to note that there had been delay in construction and in occupation of these hangars even after the award of the contract. The project was completed in December, 1971 i.e., after a period of about 7 years of the sanctioning of the Project by Government. The main reasons advanced for these delays are the non-availability of steel and building material and

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the delay of 4 years in the construction of the connecting taxi tracks which were required to be constructed by the D.G.C.A. The Committee consider that hangars and taxi tracks being integral parts of the same project, Government should have ensured at the time sanction was accorded for construction of hangars in 1964 that action was also taken simultaneously to decide firmly about the provision of taxi tracks and the agency for the execution of the project. The Committee see no reason for lack of coordination for such a vital and important matter when both the Indian Airlines who need and constructed the hangar and the Directorate General of Civil Aviation which were responsible for taxi-tracks were and continue to be under the same Ministry. The Committee would like Government to take a lesson from this instance and ensure that in future well-coordinated and integrated action is taken in such projects.

80. 13.22. The Committee also regret to note that although the taxi tracks have been constructed by the Corporation on behalf of the D.G.C.A., the reimbursement of Rs. 13 lakhs promised by the D.G.C.A., has not yet been made. The Committee would like to be informed of the reimbursement of Rs. 13 lakhs by the D.G.C.A.

81. 13.31. The Committee view with concern the incident which took place on 27th May, 1972, the preliminary enquiry of which has brought to light the serious lapses especially the security arrangements at the Calcutta airport. The Committee regret that although it is now more than nine months since this incident happened, the further inquiry which had been ordered to be conducted has not yet been completed. The Committee deplore the dilatory manner in which such important investigations are conducted by the Corporation. The Committee have also come across other cases where the Corporation failed to take

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expeditious, action against the persons found responsible for serious negligence in the discharge of their duties even after these had been brought to light. The Committee would, therefore, urge that the Corporation should view this incident seriously and finalise the enquiry expeditiously so that responsibility could be fixed on the delinquent officials. The Committee need hardly stress the necessity of taking suitable remedial measures including the tightening of security measures so as to avoid the recurrence of such cases.

82. 13.59.

The Committee are distressed to note that there had been serious irregularities/lapses in the construction of Viscount dock hangar gate at Palam Airport. As mentioned in the above paragraphs the work of construction of the gate was taken up on the basis of a design submitted by an architect who had no experience of Structural Steel Engineering jobs. Neither a copy of the letter asking the architects for the estimates nor the estimates duly signed by the architects were available. There was also no evidence to show whether any advertisement was made in the papers calling for tenders. As pointed out in the Report of the Enquiry Committee, which inquired into this case in 1965, although on 25th February, 1963, the Plant Engineer wrote to the Senior Traffic Manager to insert advertisement in papers calling for tenders, the date on which such a notice appeared in the papers was not available. In fact, the Enquiry Committee could not say if at all it appeared in any of the newspapers. The tender forms were handed over only to the Indian Airlines listed contractors in Delhi. Out of four tenders received, the work was awarded to M/s. Mohan Singh and Sons, who gave the lowest tender on 26th/30th March, 1963. Although the work was to be completed within two months i.e., by the end of May, 1963, the Com-

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mittee find that the work was only partially completed even up to June, 1964 when it was suspended as it was not satisfactory. Instead of taking any action against the contractor for delay in completing the work, he was repeatedly granted extensions of time on the plea of non-availability of material.

The Committee also regret to note that although according to the work order, permits for cement, G.I., Sheet, etc., were to be obtained by the contractor and the Indian Airlines could only recommend his case, the Corporation actually arranged permits for the contractor. As pointed out by the Enquiry Committee "it is strange how the Plant Engineer started writing directly to the permit issuing authorities and how he wanted Assistant Controller of Stores to issue these items from our own stocks if the same were available."

13.60. Apart from these irregularities there had been technical defects even in the construction of the gate as mentioned in para 13.47 and therefore, the work was suspended in June, 1964. However, it was only in January, 1965 i.e., after more than six months that an enquiry was instituted in this case.

13.61. The Committee also regret to note that it took the Enquiry Committee more than one year to submit its report which was submitted only on 10th May, 1966. The Enquiry Committee after examining all the aspects, considered the Plant Engineer of being grossly negligent in the discharge of his duties and suggested that disciplinary action should be taken against him. The Committee are constrained to observe that there was unconscionable delay on the part of the Management in taking action against the Plant Engineer. It was only in July, 1970, i.e., after more than four years of the submission of the Report by the Enquiry Committee, that a show cause notice was issued to the Plant Engineer followed by a charge sheet after another six months on 17th February, 1971.

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13.62. In his report dated the 25th December, 1971, the Enquiry Officer found the Plant Engineer guilty of all the four charges levelled against him amounting to gross negligence of serious nature, carelessness, bad and careless work. However, even after the receipt of this report, the matter remained under consideration of the Management till September, 1972 when the Plant Engineer was informed that the Corporation proposed to impose on him the punishment of removal from service. He was therefore, given a period of 15 days to show cause as to why the proposed punishment should not be imposed. Thereafter, the matter was referred to the C.V.C. on 18th December, 1972 for their advice with regard to the future course of action.

13.63 Thus even after the lapse of more than six years since the report was submitted by the Enquiry Committee in May, 1966 recommending that disciplinary action should be taken against the Plant Engineer for his gross negligence in the discharge of his duties, the Plant Engineer was allowed to continue in service in spite of serious charges against him and was permitted to handle important jobs.

83. 13.65. The Committee note that the Plant Engineer was found to be responsible for serious irregularities in several other cases and even in those cases there had been a delay of more than 3 years in taking action. The Committee would like to be informed of the results of investigation by the Central Vigilance Commission in all these cases and the action taken by the Indian Airlines thereon.

84. 13.66. The examination of the Indian Airlines has revealed serious deficiencies and shortcomings in the working of the Corporation which have been discussed in the foregoing chapters.

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The Committee have also come across various cases as mentioned in Chapters XII and XIII where the Corporation failed to take prompt action against the delinquent officials found guilty of serious irregularities with the result that the delinquent officials were allowed to continue in their posts unpunished. Such inordinate delays only create a doubt whether these were not intentional just to shield the delinquent officials. The Committee would strongly urge that Government should have a thorough probe made in these cases and fix responsibility for such inordinate delays on the part of management.
