Chapter—I
Introduction
Transport system is considered as the Artery and nerves covering the entire economy of the country. A well developed transport system always help in the movement of men and material from the places to another.

With the help of such a huge network of transport system different regions of the entire (country economy) remain well connected. Economic, administrative, social, cultural & political and all other activities of the country depend upon it's transport system.

In a restricted sense, transportation refers to a commercial agencies both as intercity and local. The role of transport in the development of various sectors like agriculture, industry, trade and commerce, social and cultural activities, political and defence matters, employment potential, foreign exchange, tourism and communication is of great significance.

Fair and Williams used the word transportation as the movement of persons or property from one place to another Modern transport has opened a large avenue of production itself. The manufacture of ships locomotives, automobiles, aeroplanes and other transport vehicles and the production of their parts and accessories are today one of the heaviest industries in the world involving capital and labour to a large extent.

Acc. to Hanson transport is "one of the ancillaries of commerce."
According to the definition and general usage of the term transportation means, simply the movement of persons and goods from one place to another. The role of transport in the development of various sectors like agriculture industry, trade and commerce, social and cultural activities, political and defence matters, employment potentials, foreign exchange, tourism and communication is of great significance.

In a vast country like India an efficient transport system is the pre-requisite for attaining a higher (sound) level of economic development. The transport system helps to broaden the market for goods and by doing so, it makes possible large scale production through division of labour. It is also essential for the movement of raw materials, fuel, machinery, accessories etc. to the places of production. Transport development helps to open up remote regions and resources for production.

The chambers dictionary defines transport as "to carry, convey" and transportation as "carriage from one place to another; the conveyance of troops and their necessaries."

Transport system in India facilitates the movements of different inputs for the smooth functioning of the entire production system of the country.

The existing system of transportation is undoubtedly an example of brilliant human endeavours and achievement in the development and
sustenance of the human race basing on the ancient and primitive system of the transportation.

An another important economic effect of transportation is increased productivity and lowered cost of production, as the cost of transportation of either raw materials, components and finished product is always an important element. Transportation improve the organisation, methods of marketing and the growth of an industry.

It extends the size of market of various production and formed linked with foreign countries. The transport system of the country is playing an important role in widening the outlook of the people of the country. It enriches social cultural and political outlook of our people. It also removes conservative attitudes, superstitious and ignorance of our people and thus wideness the general outlook of the people of the country.

Transportation is a fundamental activity. It is important to society as the circulatory system is to human body. However rich a society may be in resources and manpower, these would be of little value until they are given utility through the medium of transportation.

**Means of Transport:**

Transportation is considered as a service, because it provides the mobility that is required for society. Transportation problems are
created by the need to move persons and goods in response to society demands.

The fifth plan document has rightly observed "the transport system provides the essential infrastructure for the development of the country. While the demand for expansion of transport generally derives from the needs of the other sectors of the economy, to an extent, the transport sector also acts as a leading factor in stimulating socio-economic development."

Transport system of India promotes economic development of the country by providing labour mobility, movements of inputs & outputs, by facilitating specialisation, by providing extension & perfection of markets and widening outlook of the people.

Thus transport system in India is playing a very important role towards economic and all spheres development of the country. The system is so important that about 20 lakh persons are directly employed in the transport and communication system. Considering it's importance a sizeable portion of the plan resources of the country has continuously been allocated in successive plans for the all round development of transport and communication system of the country.

The need of transportation can be met by any one or combination of the following modes:- (i) Railways (ii) Roads (iii) Water transport (iv) Air transport (v) Inland waterways (vi) coastal and ocean shipping and pipelines transport. But mainly transport can be broadly divided into
three ways (i) surface transport (ii) water transport (iii) air transport. Railways and Roads are important part of surface transport system in any country, while air transport has a significant role to play. It offers saving in time and good cargo that cannot be matched by surface transport over long distances. Air transport helps optimise technological, managerial and administrative skill in a resource scarce economy.

Water transport is considered as very useful mode for carrying bulky and heavy commodities. Moreover Inland water transport is a labour intensive mode of transport which is providing much benefits to the weaker section of the society.

Throughout the year, the air transport has attracted considerable public attention. The speed and globe shrinking characteristics of this mode are fascinating, and the extensive promotional effort of the airline would not allowed to forget this mode if we wanted too. It is the quickest and hence the costliest mode of transport.

Air transport is a gift of 20th century and hence is plays a major role in the transportation of high value cargo. International air cargo is a small percentage of the total tonnage of cargo trade export and import of India.

Since the inception of manned aircraft first flight takes place in the country is in 1903, the development of commercial aviation has had a strong connection with government and military endeavours.
The basic differentiating factor of air transportation is its speed. Aircrafts speed far surpass those of competitive modes of surface carriage, and tend to give air carriage a decided advantage, particularly in long distance markets.

With the globalisation of economy, liberalisation and technological developments in air transport, new trends are emerging on the horizon. Privatisation, cross border acquisitions, trans-border alliances, merger of airlines and an increasing accent on open sky policy are leading towards more market oriented international aviation environment.

Infact the air services is now so important for any economy and country, that it is now impossible to think of a world without aeroplanes.

Aeroplanes commercially used after the first world war (1914-1918) as means of transportation.

If we study the history of air services in India commerical aviation began on February 18, 1911 when Henri Pequet a French Pilot set a world record by flying the world's first official air mail from Allahabad's industrial and agricultural exhibition ground to Naini, a distance of eight miles, carrying 6,500 letters and post cards.

Regular airmail services were started subsequently by the Royal Airforce on January 24, 1920 between Karachi and Bombay with a night stop at Rajkot. The operations however were terminated after six weeks because of losses suffered.
On 1st of October 1915, government of India (GOI) sanctioned the setting up a central flying school at Sitapur under the control of Army headquarter. Detailed rules governing registration of aircraft, licensing of personnel, etc. were formulated in the year 1920 and in the year 1924 work was initiated for the construction of civil aerodromes at Dum dum Calcutta, Bamruli in Allahabad and Gilbert Hill in Bombay.

A separate department of civil aviation came into being in April 1927 and Lt. Col. Shelmeroline was appointed the first Director General of Civil Aviation in 1931.

In 1929, an entirely Indian owned company, Tata sons, (Later known as Tata Airlines) submitted plans to the government to operate air services between Karachi and Bombay. The company commenced operations on the route Karachi, Ahmedabad, Bombay, Bellary, Madras on October 15, 1932.

In early 1930s (1933-34) a number of airlines (Indian Trans continental Air-ways, Madras Air Taxi services, etc.) came up. Avation activities expanded and a number of new routes were introduced like Karachi-Jodhpur-Delhi-Allahabad-Gaya-Calcutta-Akyab-Rangoon etc.

**Advantages of Air Transport**

1. Speed is the globe shrinking advantage of this mode of transport and fascinating, and the extensive promotional efforts of this
would not allows us to forget the advantage if we wanted too.

The greater benefits that aviation provide to the economy is greater speed with which it transport passengers and goods as compared to other means of transport. Saving in "Time of travel" is quite significant. Air Transport provides greater benefits as compared to rail and sea transport, due to it's speed.

2. It's provides unbroken journey as compared to rail transport and sea travels.

3. Another big advantage of this transport is that it did not require investment in the construction of the prepared way as need in the case of the railway line or road. The aircrafts can fly under the sky within the airspace of the countries without any hindrance.

4. Other natural events like flood, does not disturb this way of transport, air transport is the only mode of transport which can provide article of necessities.

5. The services provided by this transport is most suitable for goods of high values and of perishable nature and goods whose delivery is urgently needed.

6. Due to the speed and frequent services provided by air transport it reduces the capital investment in the form of huge stock of goods.
7. It helps in transporting goods in accessibly by any other means of transport.

8. The next advantages of this mode of transport is that customs formalities can be very quickly completed therefore there is little delay in obtaining clearance.

9. One of the outstanding advantage of this mode of transport is speed of delivery from origin to destination. Average speed of normal airlines is 300 miles per hour. Thus it saves time of busy businessman and high officials.

10. A substantial part of export and import trade of valuable and perishable item is through this mode of transportation.

Civil Aviation in India

Civil aviation is one major field which is affected by the revolution in high technology. As we literally Jet into the next century all our resources will have to be matrialled in a mighty effort to keep up with, if not to, forget ahead of others in the ever increasingly developing area of civil aviation.

Civil aviation is not only technically sophisticated but also capital intensive. Therefore it is not an easy task to frame policies and solve aviation problems in developing countries with limited resources. The field of aviation is very vast one as is our continent sized country. The ranged offered is therefore immensed and the opportunities and
challenges are unfreshingly vast. Aircrafts of many kinds airports of many sizes and a variety of specialized and skilled services are required. We also have to consider the short domestic flights to inaccessible places.

**ORGANISATION SET-UP OF THE MINISTRY OF CIVIL AVIATION**

**MINISTRY OF CIVIL AVIATION**

Attached Subordinate Organization  
Public Sector  
Autonomous Organization  

DGCA  BCAS  CRS  AAI  AI  PHHL  

HCL  AICL  

IGRUA

The Civil Aviation System comprises at least five interconnected group of individuals and organizations, each with a vital interest in the working of the industry.
### Table 1.1

**Major Participants in Civil Aviation in India**

<table>
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<th>Organisation</th>
<th>Brief Description</th>
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| Air India                     | • National Flag Carrier engaged in International Operations with 26 aircraft  
                                | • Flies Boeing 747s and Airbus A300/A310 to 5 continents  
                                |                                                                                       |
| Indian Airlines               | • National Flag Carrier engaged in domestic operations.  
                                | • Also operating to neighbouring countries.  
                                | • Flies 10 Airbus A300 and 30 Airbus A320s.                                                                 |
| Alliance Air                  | • Subsidiary of Indian Airlines.  
                                | • Operates with 11 Boeing 737s (after July 17, 200 crash of an aircraft) and 3 Dornier 228s.                                           |
| Jet Airways                   | • India's largest private airlines and also the most successful one  
                                | • Operates to over 30 destinations.                                                                 |
| Sahara Airlines               | • Operates 8 Boeing 737 including one B737-700.  
                                | • Also operates 4 Helicopters.                                                                 |
| Pawan Hans                    | • Operates 30 Helicopters which include 20 Dauphin AS365N, 3 Bell 206L4, 2 Bell 407, 2 R44 and 3 MI-172.                                           
                                | • Provides service to the offshore rigs belonging to Oil and Natural Gas Commission, a government organisation engaged in oil exploration. |
| Department of Civil Aviation  | • A department under the Ministry of Civil Aviation, Government of India.  
                                | • Performs the regulatory functions for the whole industry.  
                                | • Monitors, regulates and controls all agencies engaged in the civil aviation industry in India. |
| Airports Authority of India   | • Provides Air Traffic Services and Passenger Handling facilities at 86 International and Domestic Airports.  
                                | • Provides Passenger Handling facilities at additional 34 airports belonging to other agencies.  
                                | • Handled 37 million passengers, 6,89,000 tonnes of cargo and 4,20,000 aircraft movements in 1998-99. |
The figure shows organizational set up of the ministry of civil Aviation.

(i) **Airlines:** The nine private companies got license for the operation of internal air services were nationalised in 1953, and the two corporations namely Air India and Indian Airlines Corporation began to operate from August 1953.

Two new airlines namely Vayudoot and Pawan Hans is also there. Major participants in civil aviation in India are (i) Air India (ii) Indian Airlines (iii) Alliance Air (iv) Jet Airways (v) Sahara Airlines (vi) Pawan Hans Helicopters (vii) Department of Civil Aviation (x) Airports Authority of India Brief Description Available in table 1.1.

(i) **Air India:** Air India was established in 1953 under the Air Corporation Act 1953 to provide safe, efficient and adequate international air transport services. The undertaking of Air India was transferred to and vested in Air India Ltd. Public Company registered under the companies Act w.e.f Ist March 1994 after the Air Corporation (Transfer of undertaking and repeal) Act 1994.

After observing a large period we can say the two corporations have been showing fairly satisfactory financial performance and are financing their development programmes largely often even entirely from their own resources, that is from internal sources and external credits with very limited support from the budget.
Air India and Indian Airlines ranks among the better airlines in the world. Most of the important services has been entrusted to the Airports Authority of India (AAI) completed twelve years of existence on 1st April 2006. AAI Manages 5 International Airports, 90 Domestic Airports and 27 Civil Enclaves. AAI provides Air Traffic Services at DIu, Lengpui and Nedumbassary Airports. Airports Authority of India has taken up the task of development and modernisation of various airports and Air Traffic facilities in the country.

Two new airlines namely Vayudoot and Pawan Hans are also there. Vayudoot existed in January 1981 to connect in accessible areas in the North eastern region with the rest of the country. It also started the ultra courier services. Pawan Hans originated in the helicopters corporation of India. Pawan Hans Helicopters Limited was incorporated in October 1985 as a Government company under the Company's Act 1985. The corporation commenced it's operations within one year of its formation to provide helicopter support services to the oil sector in offshore exploration, operate in hilly and inaccessible areas and make available charter flights for promotion of travel and tourism. It commenced twice daily helicopters services on Gangtok Bagdogra-Gangtok sectors from 28.10.1998.

The ministry of civil aviation is located in Rajiv Gandhi Bhavan at the Safdarjung Airport complex in New Delhi which is a spacious four floor modern building. The ministry of civil aviation is responsible
for the formulation of national policies and programmes for development and regulation of civil aviation and for devising and implementation schemes for orderly growth and expansion of civil air transport.

The Directorate General of Civil Aviation is the main regulatory organisation in the country responsible for regulation of air transport services to/from/within India and for enforcement of civil air regulations, air safety and airworthiness. It also coordinates all regulatory function with International Civil Aviation Organisation. It is headed by Directorate General of Civil Aviation with headquarters at New Delhi.

IGRUA was set up to bring about a quantum improvement in the standards of flying and ground training of commercial pilots in the country. For this the Academy is equipped with most modern and sophisticated trainer aircraft, up to date audio visual training aids and other facilities for effective ground training. The Academy has excellent infrastructure with a large and furnished hostel for the pilot trainees and staff quarters. It has its own airfield equipped with basic facilities and is undoubtedly the premier institute of its kind in South Asia.

2. Airports and providers of Air Traffic Control Facilities

Unlike some transport undertaking - like railways. Airlines have confined themselves to the running of vehicles for sound reasons, airport facilities have mostly been the responsibility of national or local
government. The operation of the airlines 'track' controlled airspace- has
again been accepted as a Government task with a strong element of inter
governmental-co-operation. It is quite wrong for airlines to formulate
marketing policies which ignore the implication of such policies for the
airports and air traffic control and especially airport operations, lead
times will extended for the period of several years or even decades
before plan can be brought to fruitious.

3. Equipment manufactures:

Today, production of equipment for the airline industry is one of
the world's leading manufacturing industries. The producers of air
frames and aeroengines and their subcontractors the engineering and
construction firms involved in airport development and the electronic and
avionics producers concerned with air traffic control and air navigation
together make up a formidable grouping, the fortunes of which are
entirely dependent on aviation.

4. Consumers:

Consumer of air transport clearly have an interest in the activities
of the industry. They include both air passengers and the shippers of
air freight. Also in terms of the views to be represented attention should
be given to potential consumers. These people have a desire to use
airlines services and are willing to pay a reasonable price in order to do.
So, however the correct type of product has yet to be made available
for them.
5. Third parties:

It has been situated that 'transport is the pre-eminent example of an external cost industry' Air transport is no exception to this general rule. Aviation can have an effect both good and bad or large number of people and organisations which may have no direct concerns with it and which we shall therefore refers to as third parties.

**Research Design and Coverage:** The statistical Data, objects, aims the statistical analysis is most important and plan of the study is as follows:

(1) **Objective of the study**

1. To analyse the Growth and Development of Indian Civilian.
2. To examine the financial performance of Air India and Indian Airlines.
3. To review the financial performance of Air India and Indian Airlines.
4. To appraise the human resource management of Air India and Indian Airlines.
5. To provide suggestions for improving the overall functioning of the Air India and India Airlines.

**Importance of the study:**

It was during the second world war and later that considerable
progress was achieved. More aeroplanes were purchased, new services were started and their frequency increased. There has been a phenomenal increase in the volume of air traffic in the last two decades. Aviation had been a dream for man which was fulfilled in the twentieth century. It is now an industry that clips distances and shortens time span through sheer speed. Technology has made deep innovation in the field of civil aviation, the globalisation of the airline industry will create powerful pressure formulateral agreements to replace bilateral and to liberalise entry into aviation markets throughout the world. The study seeks to analyse the various aspects of Air India and Indian Airlines related to growth and development, physical performance, and human resource management. The study will explore recent history, customers requirements, new ideas and other information related to these two corporations. The thesis analysed the problem and limitation like financial problem, problem of selection and training of skilled labour, problem of frequent interference by politicians and bureaucratic etc.

Research Methodology

The study is based on secondary data. The data of present study is mainly collected from annual reports of Air Corporation of India and Air Transport directorate. The information is supplemented by handouts, magazine, books and various other journals. The study covers a period of 10 years 1995-96 to 2004-2005. For this purpose other information is collected from several personal visit of the head office and
employees. Here secondary source is not adequate, efforts have been made to gather information on main points through personnel and other source of communication. Several personnel visit of office of (Delhi) Civil aviation is made to gather information, many discussion with senior officers and employees of the corporation have helped a lot to get relevant and correct information.

The statistical data accompanied have been processed and statistically analysed through the various statistical tools like percentages, proportions, ratio analysis etc. The data related in terms of services to capital employed is analysed through various management ratios, gross profit ratios, net sales ratios, passenger revenues, operating revenues and foreign earnings etc.

Chapterisation

Chapter - I : Introduction

It provide general introduction of the main topic of research and gives main outline of the objectives, scope and research methodology of the study.

Chapter II : Growth and development of Indian Civil aviation

This chapter views the origination, existence and development of Indian civil aviation. The growth of Air India and Indian Airlines Corporate Act. The chapter also analyses the public plan expenditure on civil aviation in different five year plans, effect of liberalization & globalization.
Chapter III : Human Resource Management

This chapter traces the human resource factors affecting the Air India and Indian Airlines. In every area whether it is economical, political, social in all organization the most common element is human resources, work force of an organization is the most important inputs of the components. In this chapter it is tried to give an effort to revise important aspects of human resource management of Air India and Indian Airlines. Mainly following Selected aspects have been discussed to examine the human resource management of the Indian Air Lines and Air India.

(1) Recruitment and Selection
(2) Training
(3) Motivation
(4) Labour management relations
(5) Human aspects in flight safety.

Chapter IV : Physical Performance

This chapter evaluates the physical performance of Air India and Indian Airlines. The major part of Air India and Indian Airlines is in the form of fleet, including the operating capital. The chapter also seeks whether the organization has employed it's operating capital, efficiently and economically. It is very important to assess the physical performance of Air India and Indian Airlines.
Fleet utilization, fuel consumption, no. of passenger carried, passenger load factor, traffic forecast, fuel consumption are the few parameter used to examine the physical performance of Air India and Indian Airlines.

Chapter V : Financial Performance

Finance is the life blood of any organization. This chapter analyse the financial performance of Air India and Indian Airlines. Financial structure includes generally both long term and short term funds. It includes revenue and cost analysis resultant margins.

Following Parameters have been into consideration to evaluate the financial structure of Air India and Indian Airlines. (i) Working Capital (ii) Capital structure (iii) Profitability position (iv) Operating ratio (v) Over all financial positions (vi) Fare structure (vii) Factor' responsible for financial losses challenges ahead.

Chapter VI : Conclusion and Suggestions

The last chapter is the most important and sums up the study drawing conclusion and making suggestions on the basis of analysis is made in the preceding chapters.

Limitations of the Study:

The main drawback of this study is that performance of Air India and Indian Airlines has been studied with the statistical data which was not always accurate and it is available from various publications. The
review pertains to the year 1994-95 to 2004-2005 i.e. a period of ten years. Quarterly data and in some cases provisional data was available for the years in questions which was not worth incorporating. So consequently the study was not be updated with the recent regarding Air India and Indian Airlines. In this study it is not possible to study the International Airlines because perceptions in civil aviation in Asia and Africa differ from those in Europe and North America.

The other airlines were too big to be compared to Air India and Indian Airlines and they faced different situation and problems. In this study a general view on private Airlines is made but it is too early to draw any conclusive evidence that's why comparison of Indian Airlines with private airlines has not been studied in large as both the airlines were facing tuff competition from other private airlines. The private airlines do not have supportive infrastructure to maintain and run the airlines for a long period. In the short span of time many big players have withdrawn or going to be withdrawn. So it is too early to judge the performance with both the airlines which have five decades as their history. Moreover the study provide a clear position regarding the working of the both of the airlines.