CHAPTER 2

Statement of Problem and Review of Literature
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STATEMENT OF PROBLEM AND REVIEW OF LITERATURE

In the fore-going chapter an attempt has been made to screen the role of air transport in the socio-economic development of our country. The chapter has been devoted to evaluate the contribution of civil aviation to national economy and tourism development in India. In the chapter, the significance of air transport from the Communicational, Commercial and technological angel in the developmental strategies of a nation in today's changed world order has also been high lighted. It has been revealed that though air transport has done a remarkable job in the socio-economic advancement of India, but at the same time, it has not cared to utilise that untapped potential which would have normally contributed to development of Indian economy in terms of opening up of more job avenues, availability of cargo loads and development of small scale industries and other trades of local interest.

The present chapter seeks to critically review the literature available on the subject. It also presents the statement of the problem, objectives and the research design. The conceptual framework of the research has also been given in the chapter.

OBJECTIVES OF THE STUDY

The main objectives of the study are:
1. To see whether the present system of organisation and working is as efficient as can be and to suggest what practical measures are needed for its improvement and feasibility.

2. To study the contribution of Indian Airlines and Air India Corporations towards national economy and tourism development in India.

3. To probe into the personnel problems of recruitment, promotion, training and working atmosphere of the employees in the two Corporations.

4. To examine the growth pattern of the Air corporations during the Plan period, and

5. To study and analyse the working of the two Air Corporations in a comparative perspective.

6. To look into the weak areas of the two Corporations and suggest remedial measures.

HYPOTHESIS: The study intends to test the following hypothesis:

1. That after the nationalisation of air-transport in India, very little or no sincere effort has been made to restructure the organisational system of the two Corporations on Commercial line.

2. That the two Air Corporations of India are not independent as it appear to be to the casual observer. They are not free in their day to day operation and even for routine matters they have to take clearance from the Ministry of Civil Aviation and Tourism, which has an adverse
effect on the working and performance of the Corporations.

3. That the Civil aviation Corporations have been so structured which mainly suit the bureaucratic ethos. Moreover, because of the political interference and bureaucratic red tapism, the Civil aviation in India has to pay a very heavy price in terms of inefficiency, waste and poor image of its professional performance in the world.

4. That though the two Air Corporations provide fair deal to their employees but the employees of Corporations tend to have higher expectations, hence there are labour problems, indiscipline and low productivity of employees.

5. That the Indian Airlines is in red and its performance is very frustrating in the recent years in comparison to Air India Corporation, principally because of the mismanagement, political interference, confusion of goal, lack of clarity of direction and unfriendly labour management relations.

METHODOLOGY ADOPTED:

The present study is carried out on the basis of primary as well as secondary sources of information and has taken the help of both published and unpublished data available from authentic sources. A number of methods have been employed for the purpose of data collection such as collection of the secondary data with the help of journals, periodicals, documents, annual reports, auditor's report, newspapers, research papers, reports etc., on Indian airlines corporation and Air India corporation. The major sources of information in the present study are the Annual
reports, auditor's reports, Magic Carpet Travel Review, Government reports and publications, Kothari's Industrial Directory of India, Business World, Corporate Plan, Five Year Plans, Annual Plans, Business Today, the journal of Institute of Public Enterprise, the Europia World Year Book, Avion, Indian Aviation, Image, Vimanika, India Today, Economic Survey, Monthly Commentary, Financial Express and the Economic Times etc. In addition to these, a number of executives and personal Relations Officers and other officers in the Indian Airlines Corporation and Air India Corporation have been approached and interviewed for collecting information. Their opinion as a primary source which may be of immense help in arriving at conclusions and final findings on the revamping of structure and growth and development in Indian Airlines and Air India Corporations has also been gathered during the course of this study. Simultaneously, discussions were also held and views and opinions were exchanged with work force and the technical experts for enriching the study with their views and statements on the subjects, which may be helpful in enhancing the authenticity of the study.

LIMITATIONS OF THE STUDY:

Inspite of all honest, sincere and possible endeavour, there have been certain limitations. The fact that the present study is mainly based on secondary sources and only partly on primary sources of statistics, reduces the degree of reliability as normally associated with such studies. However, an effort has been made to ascertain the maximum
possible accurate data and information from the reliable sources.

The present study would have become much more comprehensive by including some foreign air-lines under the purview of study for comparative purposes on the capacity utilisation, load factors, fares and freights policies and labour relations etc. But the shortage of time and difficulty of ascertaining data from other corporations were the main obstacles. And hence we have the limitations of discussing only the local corporations -- i.e. Air India and Indian Airlines.

REVIEW OF LITERATURE:

The chapter reviews critically the existing literature available on the effectiveness and efficiency of transport as a means accelerating the tempo of economic development in the country. Related studies show that except for a few occasional reports little work has been done during the last decade on Civil aviation in India. Although some studies have been conducted concerning the history, financial performance, price policy and development of tourism, but as mentioned the materials on civil aviation is scarce and insubstantial. The purpose of the present study is to review the relevant studies carried out on the subject. A sizable amount of books, journals, training reports, articles and research papers have been consulted and reviewed.

Ram Acharya in his study entitled: "Civil Aviation and
Tourism Administration in India", has presented a systematic historical overview of the development of Aviation Administration in India. The author has also discussed in detail the organisational frame of the Union Ministry of Tourism and Civil aviation, International Airports Authority of India Ltd., the organisation and working of Air India and Indian Airlines Corporations. The author has also tried to make indepth study of the impacts of civil air transport on Indian economy and tourism industry.¹

A.W. Nawab, in his book entitled, "Economic Development of Indian Air transport", has critically analysed the increasingly significant role played by India's air-transport on both national and international scene. The author has put his sincere effort and devoted his attention to examine every minute detail of the important facts and figures connected with civil aviation in India. In addition to covering a wide range of topics related to air transport, the author has surveyed the entire history of the different commercial airlines that existed before the two corporations namely Indian Airlines Corporation and Air India Corporation were instituted. The book further goes into the details of the recommendations of the Committees appointed in connection with the setting up of the corporation as well as to guide its functioning.²

M.R. Bonavia published a study entitled: "The

1. Acharya Ram: Civil Aviation and Tourism Administration in India, National Publishing House, New Delhi, 1969.
Economics of transport", in which the writer focuses on the role and importance of transportation system. The author has made widespread discussion on the significance of good transport system from industrial, political, social and cultural angels.³

Yet another study entitled, "Transport Economics", authored by J.K. Jain has dealt in detail the importance of transport and the role and significance of air transport in India. It is the belief of the author that the modern civilization is the off-spring of modern means of transport on which depends the economic stability, social welfare and political strength of a nation.⁴

S.K. Srivastava, in his book entitled, "Economics of Transport", has traced the historical survey of the means of transport. The author has coherently examined their present position and has recommended various suggestions for their operational efficiency. The various suggestions and recommendations made by the various committees and commissions appointed from time to time by the government of India to bring in efficiency in the transport system in India has been included in the book by the author.⁵

K.P. Bhatnagar, in his study, "Transport in Modern

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India", has critically evaluated the role and importance of transport. The author has dealt in length with the history of growth and development of air transport in India. He has also pointed out the impact of air transport on the various wings of society. The writer has further indicated the desirability for a rapid growth of air transport in India, for the fast economic development of India.  

A study published in 1985 with the title: "Successful Tourism Management", by Pran Nath Seth has highlighted the history, significance and the role of air transport in tourism development. The study begins with a detailed discussion on the socio-economic significance of tourism and the role of transportation particularly the civil aviation in the promotion of tourism. The author also goes in length to cover the history of civil aviation development in India. It is the feeling of the author that the Human Resource Development is very essential for all the industries and hence the need for manpower development to service industry like civil aviation is paramount. This study also contains interesting case histories and examples and personal experiences of the author. 

M.R. Dhekney, in his study: "Air-Transport in India", has overviewed the historical development of air transport in India. Besides tracing the history of air transport in India, the author has also critically evaluated the role and importance of air transport. He has dealt in length with the history of growth and development of air transport in India. He has also pointed out the impact of air transport on the various wings of society. The writer has further indicated the desirability for a rapid growth of air transport in India, for the fast economic development of India.

India he has also incorporated in his book the suggestions and recommendations extended by the various committees and commissions for the betterment of air transport industry in India.  

L. Vasudev, in an article, "Our future is at stake unless we do well", has emphasised the need of the spirit de Crops. The article argues the significance of clarity of direction for action and the need of common efforts for its revival, and this may be helpful in achieving the world standard.  

S.L. Gera, in his study, "Profit is vital for independence", has highlighted the importance of profit for the growth and development of an organisation. The author emphasised the need of internal resource generation for the expansion and survival of an organisation. The article also asserts that without sufficient profit an organisation loses its independence and strongness.  

A brief study entitled, "Resource generation for public sector development", by K. Raipuria, has thrown light on the importance of internal resource generation for the growth and expansion of an organisation. The author after analysing the different aspect has argued that the survival

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of an organisation depends on the capacity of its creation of internal resources".  

G.V. Rao has studied Indian airlines Corporation from the HRD view point. In this article entitled, "Training for improving customers services", has dealt in detail and emphasised the need of training for bringing in overall efficiency in the corporation. The author argues that it is not the capital but the employee on whose honesty, sincerity and performance depends the efficiency and profitability of an organisation. In the conclusion the writer puts the stress on the need of training which may be a helpful instrument to develop a culture of courtesy and professionalism.

A report published in Magic Carpet, entitled, "World stores and purchase Managers Conference", has noted that the only job for all the employees in any service industries like Air India and Indian Airlines Corporation is to create and maintain satisfied customers or consumers and to achieve this target a common goal, a common resolve to solve problems and a common commitment are absolutely necessary. The report further emphasised that employees in an organisation are just like a chain and the strength of a chain is equal to its weakest link. By quoting different experts who attended the conference, the report put the

emphasis on good service and has suggested that the only way that Air India can compete with US mega carriers and Asians Tigers is by providing superior quality service. This unique service and quality can carve a niche for Air India and give it needed growth.¹³ A report prepared by Ministry of Civil Aviation and Tourism published in 1992-93 has touched upon almost all the aspects of the Department of Civil Aviation like its main functions, organisation and methods and modernisation schemes etc. Grievance redressal machinery, special programmes/ Schemes regarding the vigilance activities, Scheduled caste/ Scheduled tribe cell relating to reservation for scheduled castes and Scheduled Tribes in posts and services have also been carried out by the report. The report also throws some light on the various schemes which are existing in the Department of Civil Aviation for the Welfare of Women and Minorities.¹⁴

Annual report published in 1989-90 has briefly examined the financial results of Indian airlines corporation. The report reveals that the operating profit came down substantially during the year 1989-90 and a net loss of Rs. 15.24 crores was sustained by the corporation as against a profit of Rs. 10.68 Crores during the previous year. The report put forth argument that the net loss was sustained due to heavy non-operational expenditure comprising of

¹⁴. Annual report, Ministry of Civil aviation and tourism, Department of Civil aviation, 1992-93.
interest charges on the borrowed funds for A-320 and other air-craft, foreign exchange losses to due to continued upward revision in US Dollar vis-a-vis Indian rupee. The report further furnishes statistics on foreign exchange earning and on air craft utilisation and the fleet strength of the corporation.\textsuperscript{15}

A supplement, "Air India: Palaces in the Sky", published in April 1993 has dealt with the various Schemes undertaken by Air India Corporation. The Supplement says that air India projects to the world a striking image of modernity and tradition -- a perfect fusion of technology with grace. The Supplement also traces the history of air India and says that in the intervening 60 years air India has progressed from operating the tiny single engined planes of the thirties to slightly larger multi engined pre-war passenger planes, and later a whole generation of post-war aircraft. The Supplement also notes the Indian Style of hospitality which means great food which are being provided within the air craft. The role of Air India in the promotion of tourism has also been discussed briefly in the Supplement. The Supplement concludes that Air India has bright future with untiring effort, commitment to excellence and a consciousness of tradition. Air India has set itself the goal of achieving new dimensions in air travel.\textsuperscript{16}

There have been a number of factors responsible for the

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\textsuperscript{15} Annual report, Indian Air Lines, New Delhi, 1989-90.
\textsuperscript{16} Air India: Palaces in the sky, Travel Review, April 1993.
poor performance of the Civil aviation in India. To overcome the problems and bring efficiency in the working of Civil Aviation Sector many expert committees and panels have been appointed by the government in the past which have recommended to the government to have a positive aviation policy in view of it's social, economic, political, cultural and national strategic importance.

A Committee by the name of "Air Transport Enquiry Committee" was constituted in the year 1950. It provides invaluable materials for the study of Indian Commercial aviation and is divided into 16 chapters which discusses almost everything related with India's air transport system. This Committee after scrutinising all the relevant aspects of the Commercial air transport have offered its valued recommendations which are both educative as well as informative.

The government sought the advice of the Committee on certain specific points such as the present state of air transport in India and the best lines on which future development might be organised.

The detailed terms of reference of the committee are as under:

To inquire into and report upon and to make recommendations with regard to the following matters:

i. The present state of the transport industry in India in regard to both internal and external services.
ii. The pitfalls with regard to the organisation and management of the industry as a whole or with regard to any individual companies.

iii. The major problems and defects in the industry as at present constituted.

iv. The manner in which Indian air services, internal and external could best be operated with the maximum economy having, due regard to all relevant factors including passenger fares and freight and mail rates, during the five years 1950-54, providing also for adequate development of the air services and for such purpose,

(a) The reasonable needs of the industry of assistance from the state and the manner and extent of such assistance and cost thereof to the state.

(b) Regulation of the industry and control over its management by the state.

(c) Any necessary organisation of the industry.

(d) the desirability, practicability and economic consequences of the operation of the said air services under state ownership and management; either direct or through a body corporate, and the cost of acquisition of such ownership.

Having discussed the evolution of the Indian air transport system from 1932 to 1950 in part I of its report, the committee devotes part II to describing the position of air transport industry as obtaining in 1950 during which year it is called upon to inquire into and submit its recommendations. The committee put strong argument by
furnishing the extracts from the report of president Truma's Air policy Commission 1948, entitled "Survival in the Air Age", for the payment of subsidy in the form of postal mail compensation to Indian air aviation. The Committee further examines the method of subsidy in Australia, Canada, Newzealand, South Africa, Ceylon, Ireland, and in England. In advocating the grant of public assistance to the Indian air transport in the form of postal mail compensation the Committee opines that in India, we strongly feel the necessity of subsidising air transport companies too. To boost passenger air traffic one of the recommendations of the committee is the travel of government officers by air. Another recommendation of the committee is the assignment of greater responsibilities to the Air Transport Licensing Board like examining the needs of the air industry in the future; reconstitution of the Board and strengthening of its secretariat. The Committee further observes that grant of subsidy would help stimulate natural growth of India's air Commerce and would lay the foundation of a permanent, self-supporting and dynamic air industry.

Yet another Committee by the name of the Select Committee on the Air Corporations Act, was appointed by the government under the chairmanship of Pandit Thakur Das Bhargava on 30th April 1953, the Committee presented the report on the bill to provide for the establishment of Air Corporations to facilitate the acquisition by the

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Corporations of undertakings belonging to certain existing air companies and generally to make further and better provisions for the operation of air transport services. The committee after examining all the facts and facets of the Bill, submitted the Bill with their report. There were hot discussion and arguments among the members of the committee on the subject but in the last the majority of the members of the committee arrived at the conclusion that in view of the practical problems involved, there should be two corporations for the first few years at least.18

Another Committee was appointed on the "Cost structure of the Indian Airlines Corporation", by the Ministry of Transport and Communication, Government of India, in the year 1959, under the chairmanship of Wheatcraft. The main aim of the committee was to make detailed examination of the corporation's cost structure and then to develop a formula for determining the standard costs of I.A.C. operations so that the difference between the cost of operation and accruing revenue may be made good by means of grant of subsidy or subvention. The committee was asked to make investigation as to whether or not the present system being followed by the corporation in regards to planing operation and cost control is efficient. While under-taking the investigation the committee has touched upon all the questions which fall within the scope of the terms of reference. The committee recommended that though the

general standards of I.A.C. operations are very good but there are specific areas such as the booting system and the timing of some services, which certainly require improvement. The further study of the Committee reveals that though the operations of I.A.C. is good but its planning and control of expenditure requires immediate improvement. There are four aspects of deficiency in this area, that is a general lack of cost consciousness throughout the organisation, inadequate budgetary planning, in efficient control of budgets and cost accounting not properly used. These discrepancies of I.A.C. cost control have undoubtedly given rise to a higher level of costs than necessary in certain functions, particularly, maintenance and overhaul. The other serious problem which the committee has found is the level of I.A.C. operating costs in the field of labour relations. Another finding of the committee is that the general moral of I.A.C. staff of a junior management level is rather low. And this inevitably connected with the feeling of helplessness in the field of labour management, which is because of the lack of driving sense of purpose throughout the Corporation. Therefore, the committee strongly opines that there must be feeling at the I.A.C. management level that its purpose is not only to provide good and efficient air services but also to operate these services at a profit, and this demands the adaption of improved techniques of communications within the corporation but there is no reason why such a new cost awareness and resultant higher morale should not be introduced quite
No history of Indian commercial air transport will be conclusive until it contains a special mention of the investigation undertaken by the management group of committee on plan projects of the planning commission. In the year 1966, the management group of committee on the plan projects undertook to study the working of the Indian Airlines Corporation.

Stressing the aim of their study, the Committee states: "The primary object of these studies is to evolve system, suitable for conditions in India, for programming and for reporting on performance in projects undertaken in the public sector. In these studies, attempts are being made to utilize and adopt management planning and control techniques which have been developed during the past few years in advanced countries. These techniques will be of help, above all, to project management and boards".

**Recommendations of the Committee:** The first recommendation of the committee is to undertake a detailed traffic survey on both trunk and regional routes, to establish how many passenger seats should be offered now, and what the market is for freight and mail. If this is done the extent of present shortages, and the likely growth of each route can be determined with fair accuracy. Another recommendation of

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the committee is that if Indian Airlines Corporation is to be a profitable company, it should have to fly routes that are simply uneconomic, without reimbursement by the government. The committee has strongly urged that a joint study be carried out of this matter both by the Ministry of Civil Aviation and Indian Airlines Corporation, once the definition of losing routes has been completed. From this a clear implementing procedure can be evolved. The Committee further noted that an airline is a mirror industry especially in the case of a national airline, it reflects the image of the country and it is also an aspect of the country which foreign nationals see and are influenced by. As a consequence, Indian Airlines Corporation is at least as important to India as its international airline. If this view is adopted, then the government, as well as the company should strive to achieve the required results.\(^{20}\)

Kothari's Industrial Directory of India conducted a brief but comprehensive study on transport including the civil air transport in India in the year 1992. Starting with the importance of civil aviation, the study goes on to describe in briefs and precise manner the history of air transport in India. The study also laboured to examine the financial result of both Air India and Indian Airlines Corporation. The study noted that the financial year 1989-90 has been a boom year for Air India Corporation in which the operating profit and net profit are the highest ever

achieved in the 37 years history of the Corporation. On the Indian airlines front, the study says that on the basis of scheduled revenue passenger Kilometers flown, Indian airlines has emerged as the fifth largest domestic carrier in the world. The study noted that Indian airlines enjoys a virtual monopoly of domestic routes. It also has the benefit of low wage costs by international standards. The study further presented the financial analysis of the working of the Corporation.21

A survey published in Annual plan, 1989-90 has reviewed the performance of civil air transportation in the year 1989-90. The survey reveals that while the financial performance of Air India had shown improvement, profits of Indian Airlines showed a decline. The survey further mentioned that the seventh plan envisaged an integrated and coordinated development of the civil aviation sector. The constituent units of the Civil aviation sector are expected to finance their own expansion and this challenge can only be accomplished by improved productivity, rationalisation of rate structure, restructuring of route network on more rational lines, manpower development, upgradation of training facilities etc; the study says.22

**Conclusion**

In conclusion it may be stated that the chapter has

discussed the framework of the whole study. The chapter focuses on the main thrust and objectives of the study. We have also discussed in brief the hypothesis to be adopted to carry out this study. We have also devoted our attention towards the different sources and methods of data collection for carrying out this study, i.e. research methodology adopted for the study has been discussed. It may also be observed that our discussion in this chapter has highlighted the limitations of the study. And finally the chapter reviews critically the existing literature on Civil aviation in India. During the course of surveying the literature we have found some very important and interesting studies which have become the base of our discussion and analysis in this project.

In the next chapter our effort will be to examine critically the growth of civil aviation during plan periods. The chapter will also try to come out with solid suggestions spelling out the ways and means to overcome the pitfalls and difficulties in the way of its structural growth.