Chapter- 3

NATIONALISATION OF INDIAN AIR TRANSPORT AND ITS DEVELOPMENT

Air India was born as a statutory corporation under the Air Corporation Act, passed by the Parliament of India on June 15th, 1953. By an amendment to the Air Corporations Act of 1953, the name of the corporation has been abbreviated to “Air India”, by which name it has become known throughout the world. The word ‘inter-national’ was originally added in order to differentiate between the predecessor company, Air India International Limited, and Air India Limited. No such need exists today and the shorter name is a better one for an airline.¹ The statute declared it the successor of Air India International Limited and consequently it took over the assets and liabilities of this company from Aug 1st, 1953. The Corporation was specially constituted to cater to the needs of the international air markets and has an extended network of air routes linking all the six continents of the globe.² Though not a very old organization the Air India has made considerable progress as a public sector enterprise in an emerging socialist economy. Right from its inception it has faced international competition and has confronted heavy odds which have shaped its development in a special manner, and has
rather established a new record of international popularity and acclaimed public services of international standards.

**Historical Background**

Air transport was nationalised by the Government of India under the Air Corporations Act, 1953. On 25 August 1953, the Government of India exercised its option to purchase a majority stake in the carrier and Air India International Limited was born as one of the fruits of the Air Corporations Act. At the same time the seven domestic services namely, Deccan Airways, Airways India, Bharat Airs, Himalayan Aviation, Kalinga Airlines, Indian National Airways and Air services of India, were merged to form the new domestic national carrier, Indian Airlines. The administrative integration of the various private units or agencies were bound to beset with initial difficulties.

It was a challenge task to mould all these units into one single integrated organisation with uniform standards of operation, administration, common scales of pay and conditions of service. It was equally challenging to rationalise routes and ground organisation and reduce their costs and improve efficiency. This was further aggravated because each of these former airlines
had their own organisational and operational standards of efficiency. Much of their fleet had become obsolete even by 1953 standards. Unlike, Air India International which had relatively less serious problems of organisation, personnel or morale, the India Airlines was specially confronted with the difficult task of fitting eight varieties of separate managerial and supervisory staff into its unified cadres of management. Air India Limited was established as a Public Limited Company before independence on July 29th, 1946. The Tata Airlines bequeathed to it rich assets in aircraft equipment, engineering facilities, trained personnel and air-mail contract. Before the year 1948 India’s scheduled external air services had been limited to flights to neighboring countries, especially Pakistan to the west, Ceylon to the South, and Burma to the East.

As a fresh entrant, the airlines in the international market acquired a new personality. India was urged to grant quickly because with keen international competition it would be a difficult venture financially a risky enterprise to make a great head way and compete with other countries. Moreover, India being a great trade and travel centre, enjoyed a commanding strategic position which astride the only practical air route from Europe to the Far East and Australia. This put India in a strong bargaining position vis-à-vis other
countries which operated their services to or through India intended to do so after its emergence on the air map of the world.\textsuperscript{5}

With the proposal of starting a new that a new company named Air India International Limited it was suggested that the Government of India, Air India and the public in general were expected to participate in its capital. Air India Limited managed and technically assisted this new company. It was suggested that initially this company was to operate regular air services between India and the U.K. routes with modern and long range pressurized air craft. The Government did not receive the proposal with enthusiasm and rather preferred a scheme for an airline wholly owned and managed by the Government. Later on the Government realized the Air India scheme would save both money and time because of the ready-made organization and technical facilities available to the project from its very start. This facilitated the acceptance of the proposal which later received all support from the Government.\textsuperscript{6}

The Air India scheme approved of the formation of a new company in which Air India International was to invest a capital of Rs. 200 crores. This enabled the Government of India to have a share ranging to 49 per cent of the
total capital. The Air India Limited contributed up to 10 percent and the balance was subscribed by other air transport interests and the people.\textsuperscript{7} Acting as the Technical Manager of the new company, the Air India in its day-to-day administration was subject to the over-all control of the Board of Directors of the company. The scheme finally got operationalised in 1948 and the Government of India entered into agreements with the Air India Limited and the Air India International separately.\textsuperscript{8} Some of the important provisions of these agreements were as follows.

(i) “The Government of India would take up 49 per cent of the capital of Air India International and it would have the option to acquire a further 2\% at any time it so desired.”

(ii) “The Government would reimburse to Air India International any loss incurred by it after making provision for depreciation for a period of 5 years, the loss in this context being the actual loss as disclosed by the officially audited accounts of the company”.

(iii) “When the company began to make a profit, not less than 50\% of its annual profit would be returned to the Government in repayment of the subsidy, if any, which had been granted to it in earlier years. The balance could be retained by the company, and out of that balance a dividend of
no more than 3 ½% might be declared until the whole of the subsidy received by the company from the Government had been paid off.”

(iv) “In respect of constellation operations, Air India would be paid a management fee by Air India International for acting as the latter’s Technical Manager on a sliding scale, decreasing from 5 annas per mile for the first one million miles to one anna per mile over 2 ½ million miles flown and during the year,” and

(v) Air India International would have exclusive rights of operation over all routes to the west of India within a specified zone, for a period of 10 years.”

The Air India International was registered on March 18, 1948 and the Air India Limited bought its shares to the value of 10 per cent of the paid up capital. The Air India Limited appointed General Technical Managers and Child Booking Agents of Air India International for a period of ten years. Similarly the administrative and technical services were rendered by Air India Limited at the actual cost incurred. The First Bombay – London service was inaugurated on June 8, 1948, but the first eight months of the working of Air India International, however, resulted in an operational loss to the volume of Rs.4.00 lakhs. This loss was made good by the Government of India, in
accordance with the terms of its agreement. It also made provision for
depreciation. there was an increase in the frequencies of the services in the
following year. This yielded a net operative profit of Rs. 6.72 lakh in the year
1950.10

**Nationalisation of Airlines:**

The year 1952 witnessed a general deterioration in the condition of all the
airlines, all over the world to the extent that an effective action became
necessary. To salvage the situation the Planning Commission of India
recommended the merger of all the scheduled airlines into a single integrated
corporation. In the beginning the Government of India also favoured the
establishment of one single corporation for the airlines but later on it revised its
decision in favour of the establishment of two separate air corporations for the
country. In March 1953 the Parliament of India passed the Air Corporations
Act which was recorded in the statute book with the assent of the President of
India on May 28th, 1953. The Act created two corporations to be known as
Indian Airlines and Air India International. This led to the nationalization of
Air India International as a public sector corporation of the country. The newly
created public undertaking took over the assets and liabilities of Air India
International Limited and launched its actual aviation operations from August 1, 1953.  

The Organisational Frame

The Air Corporations Act (1953), has followed the corresponding British enactments and subsequently the two corporations were largely been patterned on the structure of the British Overseas Airways Corporation (B.O.A.C). The members of the Board of Directors were appointed by the Government of India. In actual practice, the Union Government had throughout appointed the maximum number of members out of whom seven had been ordinary members of both the Air Corporation and the remaining five ex-officials nominated by the Govt. of India. These officials include two Air Force officers also, similarly out of the four non-officials appointed to the Board of Directors of Air India one represents the major labour organizations in the aviation industry of the country.  

Functions of Air India

The Air corporation Act set down the chief functions of Air India including the operation and management of safe, efficient, adequate, economical and properly co-ordinated air transport service of the country on
international air routes. According to this the Air India corporation had been empowered to:

(i) Operate any air transport service or any flight by aircraft for commercial or other purposes and to carry out all forms of aerial work;

(ii) Provide for the instructions and training in matters connected with aircraft of persons employed, or desirous of being employed, either by the corporation or by any other person;

(iii) acquire, hold or dispose of any property;

(iv) repair, overhaul, reconstruct, assemble or recondition aircraft machines, vehicles and parts, accessories and instruments and to manufacture such as accessories and instruments;

(v) enter into and execute all such contracts as are calculated to further the efficient performance of its duties;

(vi) determine and levy fares, freights rate etc. with the prior approval of the Govt. of India”;

(vii) take steps to extend the air transport services; and

(viii) take steps to improve services which the corporation may provide. 13

All these powers and functions of the corporation not only outline the major tasks which the organization has to handle in rendering the services, but
also indicate the autonomous nature of the organization which can determine and levy fares and freight rates and initiate administrative policies and measures to expand its services and to improve efficiency standards and its performance. Most of the powers are of a general nature and the functions and powers have been enumerated in a manner that the corporation can preserve its autonomy within the bounds of parliamentary and ministerial control over the corporate sector of the national economy.

The Board of Directors

According to the statute both the air corporations will had their separate and independent boards of management. Each of these boards consisted of not less than 5 and not more than 9 members including the chairman. In 1971 this original act was amended by the Air Corporations (Amendment) Act, 1971 and the new extended Board of Directors had a strength of maximum 14 and minimum 8 excluding the chairman. The Board was reconstituted with the amendment which became effective from 1.2.1972 and subsequently.\textsuperscript{14}

Following is the flow chart of the organizational structure of air India.
Fig:2 ORGANISATIONAL CHART OF AIR INDIA AT HEAD QUARTERS

CORPORATION
(Board of Directors)

Chairman

Managing Director

Commercial Director

Financial Controller

Director of Operations

Director of Engineering

Director of Planning & International Relations

Controller of Stores & Purchase

Personal Manager

Secretary
Ground Handling Department

A new department called “Ground Handling Department” was set up by the corporation in Sep. 1973 to take over ground handling and allied functions on a systematic basis. This department had taken over complete charge of ramp handling of functions on the air side of the terminal buildings at airports in India, and was responsible for maintenance, overhaul and operation of the ground support equipment and also the Motor Transport till date.¹⁵

The Operation Pattern and Working of Air India

The operation pattern of Air India followed a traditional route pattern. Originating from their base station at Bombay most of these flights practically cover all important towns in the world. Yet marketability of the international routes was a prime consideration for increasing or reducing the number of flights on certain key routes of the world. In addition to operating its daily services to capital cities like London, New York, Tokyo, Nairobi and Moscow, the corporation had a good passenger traffic on routes touching Singapore, Maurities, Bahrain and Dubai.

Air India operates its passenger and cargo services through a wide, variety of officials, technical as well as non-technical. According to official classification the corporation will have some 13 broad categories in which they
stand caderised for salary purposes. The largest department in this respect is Traffic and Sales Department. The various departments such as

1. Operations
2. Engineering
3. Civil Works and Properties
4. Stores and Purchase
5. Traffic and sales
6. Customer service
7. Surface Transport
8. Finance and Accounts
9. Personnel
10. Staff welfare
11. Security
12. Management, Information and Advisory services
13. Administration, Ground Handling, Commercial and Technical Planning.

The Air India performed its duties at head quarters, through various departments. The Operations Department looked after the actual flights of the services of the corporation. It was also responsible for all ancillary matters such as navigational problems, training and licensing of air crew. The
Engineering Department took care of maintenance, repair and overhaul of aircraft. To a certain extent it also looked after the manufacture of simpler type of equipment required for aircraft. The Traffic Department earned revenue for the corporation. It also handled public relations, sales promotion, publicity and advertising. The Stores and Purchase Department was responsible for maintaining the stores of the corporation. It specialized in purchases, a large part of which pertained to highly technical equipment such as aircraft parts and instruments which were available only in foreign markets. The Accounts Department kept the accounts of the corporation. It also advised the management on all financial matters. The recruitment of personnel and other establishment matters were looked after by the Personnel Department. This Department maintained Personnel records of all the employees of the corporation. The Welfare and recreational activities of the employees were handled by this Department.

The various sections or wings in the organization office explain the nature of work which the corporation’s headquarters had to undertake and perform. Commercial, Financial, Engineering, Stores and Purchases, Planning and other administrative operations engaged the full-time attention of the Board of Directors who constituted the management. Moreover, the Bombay
office of Air India functioned as a kind of secretariat for the corporation where essentially the policy matters were processed and the field stations were directed to execute the headquarters directions. These on-line and off-line out-stations were spread in almost all principal towns of the major countries of the World.\textsuperscript{17} A table that lists the off-line offices of Air-India and the respective region served and covered by these offices is found in Annexure No.I

**The Subsidiary Companies**

The Air India Corporation floated two wholly owned subsidiary companies during 1971-72, namely Air India charters Ltd and Hotel corporation of India Ltd. Air India charters Ltd was formally registered under companies Act of 1956 on Sep. 6\textsuperscript{th}, 1971 and started its operations from Jan 1\textsuperscript{st}, 1972. During the three month period ranging from January to March 1972 the company operated 64 charter flights between India and U.K, Europe and earned a revenue of Rs. 124.04 lakhs. The Hotel corporation of India Ltd was, however, registered under the companies Act, in July 1971.\textsuperscript{18}

**The Problems of Integration**

The switchover from one form of management to another posed administrative problems largely because of the fact that Indian Airlines Corporation inherited the business of eight airline companies involving various
kinds of assets and difficult liabilities. Moreover their system of accounts, costs and statistics, methods of production and organisation, wage structure and conditions of employment presented a chaotic scene of variance and disparity. To handle some of these problems of integration of the airlines, the Indian Airlines Corporation constituted three committees to study the situation in depth and suggest measures for rationalised patterns of operations. The committees were:

i. The Technical Committee: It consisted of senior executives to study the problems of re-organisation of operational and engineering bases and training for the initiation of the personnel.

ii. The Accounts and Finance Committee: It was entrusted with the task of evolving appropriate procedures and accounting routines for making effective the financial integration of the airlines, the establishment of an internal audit organisation and suitable budgeting control to meet the requirements of public accountability.

iii. The Services Committee: It was constituted to make recommendations on the rationalisation of pay scales for different categories of personnel and the formulation of a suitable wage structure and common service conditions in the matter of leave, holidays, bonus, provident fund and gratuity.
The problem of the integration of personnel and introduction of revised service' conditions was the most delicate one. The Service Committee made a thorough study of the pre-nationalisation practices obtained in the private industry and of the various views placed before it by different individuals and groups on behalf of the management and the employees. Opportunities were also given to various interests concerned to tender written and oral evidence before this Committee. The study revealed wide variations in service conditions of individuals and classes of employees. It was found that the companies had not followed any clear-cut principles or policies. As soon as the report of the Services Committee was released, its recommendations became minimum bargaining counters for the trade unions active in the Aviation Industry. They made all out efforts to secure an extension of the favourable terms and eliminate the less favourable features irrespective of their bearing on the terms of employment as a whole and at the same time they also pressed for the claims of benefits normally admissible to government servants. The basic recommendations of this Committee were accepted after certain adjustments arrived at on a basis of compromise as embodied in two Agreements entered into by the Management dated April 29, 1955 and dated February 2, 1956 with the Air Corporation Employees' Union.
The Indian Airlines Corporation took over, on payment of compensation, the aircraft, other properties, assets and liabilities, obligations and contracts, of the former private air companies subject to the restrictions mentioned in the Act. Later it began to operate the entire network of scheduled air transport services operative on that date. Under the Act, the amount of compensation paid viz, the value of assets minus liabilities taken over, constituted the initial capital of the Corporation. All non-recurring expenditure incurred by the Government of India for or in connection with the establishment of the Corporation was declared to be capital expenditure by the Government and the same was treated as capital provided by the Government of India to the Indian Airlines Corporation.

The Concept of Autonomy

The Indian Airlines Corporation being a corporate organisation has been endowed with autonomy of internal working and external relationships with the ministers and the Parliament. The Act envisaged organisational freedom to initiate policy, man its personnel, pass its own budget and has the system of commercial audit of accounts. In the external field the Minister of Tourism and Civil Aviation has his overall supervision which is very different from the departmental control. He comes in the picture only when vital policy decisions
are involved. According to the Air Corporations Act, the prior approval of the Government of India through the Minister was necessary in the following cases:

The Corporation shall not

i. acquire any immovable property or aircraft or any other thing at a cost exceeding rupees fifteen lakhs;

ii. enter into a lease of any immovable property for a period exceeding five years ; or

iii. in any manner dispose of any property, right or privilege having an original or book value exceeding rupees ten lakhs.23

The submission of programme of work to the Ministry of Tourism and Civil Aviation, Government of India is also obligatory under the Act. Accordingly, the Corporation submits to the Central Government, not less than three months before the commencement of the financial year of the Corporation, a statement showing the future activities of the corporation during the forthcoming financial year, along with the financial estimates, including the proposed investments and increase in the strength of its total staff.24 In any of the financial years if the Indian Airlines Corporation engages or proposes to engage itself in any air transport service or ancillary activities in addition to
those specified in the programme already submitted to the Union Government and if substantial alterations of the financial estimates are likely to be involved thereby, the Corporation has to submit a supplementary programme to the Central Government for its final approval.25

Similarly the submission of Annual Report to the Parliament of India by the Indian Airlines Corporation is obligatory under the provisions of the Act. This report is submitted on a prescribed form outlining the activities of the I.A.C. during the previous financial year. It also contains an account of such activities (if any), which are likely to be undertaken by the Corporation during the next financial year. The Central Government causes to present every such report to both the Houses of the Parliament as soon as they are received from the Corporation through the Ministry of Tourism and Civil Aviation.26

The statute empowered the Corporation to delegate its powers if it so desires. It could appoint a committee or committees consisting of some or any of its members with or without the addition of any officer or employee and delegate any of its functions and powers. It can also limit such delegated authority to any specified area or areas. It can direct any of its officers or employees to exercise all or any of such power that may be necessary to discharge certain duties pertaining to allied matters by general or special orders. This delegation
has to be to the extent deemed necessary by the Corporation for the efficient running of its day-to-day administration.\textsuperscript{27}

The Act further empowers the Corporation to make rules and regulations governing its internal working. With the previous approval of the Central Government and by notifying the same in the Official Gazette, the Corporation can make such regulations' which are not inconsistent with the provisions of the Air Corporations Act or the rules made there under for the administration of the affairs of the Indian Airlines Corporation and for carrying out its major functions.\textsuperscript{28} One of the principal functions of the Indian Airlines Corporation according to the statute, is to provide safe, efficient, adequate, economical and properly co-ordinated air transport services, domestic as well as international services to the adjoining countries like Burma, Ceylon, Pakistan, Afghanistan and Nepal. It is entitled to exercise its powers in such a manner so as to ensure that the air transport services are developed to the best advantage and are made available at reasonable charges to the customers.\textsuperscript{29}

**Organisational Pattern**

After nationalisation, the Government of India had endeavoured to evolve an integrated administrative set up with a unified control over all the branches of aviation administration in India. The Headquarters Organisation
for the Corporation was established in April 1954. It consisted of a number of Departmental Heads such as Financial Controller, Chief Operations Manager, Engineering Manager, Chief Traffic Manager, Chief Controller of Stores and Chief Personnel Officer. The entire territory of India was divided and organised into three broad administrative-cum-operational-cum-traffic zones, purely for convenience of physical management. Naturally they were not self-contained or viable administrative units of business. But still corresponding staff positions of responsibility had to be created at the four field bases, namely, Delhi Bombay, Calcutta and Madras. Each of these areas was placed administratively under an overall control of the Area Manager who was made functionally responsible to the Departmental Heads, at the Headquarters and through them to the Chairman of the Indian Airlines Corporation. The Area Managers were assisted in their administrative tasks and personnel management responsibilities by a Deputy Area Manager and Senior Administrative and Personnel Officer stationed at the headquarter. The following charts present the organisational structures of the Indian Airlines corporation at New Delhi headquarters and Area Offices at Bombay, Delhi, Calcutta and Madras.
Fig:3 ORGANISATIONAL CHART OF THE HEADQUARTERS OF INDIAN AIRLINES CORPORATION
Fig:4 ORGANISATIONAL CHART OF THE AREA OFFICES OF THE INDIAN AIRLINES CORPORATION
(at Bombay, Calcutta, Delhi & Madras)

AREA MANAGER

- Dy. Area Manager (at Madras)
- Sr. Admn. and Personnel Officer
- Operations Manager
- Traffic Manager
- Chief Engineer
- Assistant or Dy. Controller of Stores
- Financial Adviser and Chief Accounts Officer
- Administrative and Personnel Officer (Welfare)
- Personnel Officer
- Security Officer
- Senior Medical Officer
- Medical Officer
- Senior Transport Officer
For the efficient conduct of its day-to-day business the Corporation has delegated some of its powers and responsibilities to the Chairman-cum-Managing Director and other Departmental Heads at headquarters and area heads at the four regions of Delhi, Bombay, Calcutta and Madras. Before 1970-71, the Chairman used 'to be the Head and the General Manager was the Executive Head of the Indian Airlines Corporation.

During the year 1971-72, the Air Corporations Act was amended by the Union Parliament. The designation of the Chief Executive has now been changed from General Manager to the Managing Director of the Corporation. Under the new arrangement the general superintendence, direction and management of the affairs and business of the Corporation are vested in the Board of Directors or the "Members of the Corporation" which has now been redesignated as "Directors of the Board of Indian Airlines corporation".

The headquarters office at New Delhi looks after the broad policy matters and other areas relating to finance. It also exercised detailed control in matters like preparation of basic flight schedules, determination of rates and tariffs, provision and purchase of stores, collection of revenue, aircraft and engine overhaul programmes, standard force, interpretation of rules, labour relations and the like. At the headquarters office, a Committee of Management
presided over by the Managing Director had been set up in which all the Departmental Heads at Headquarters and the Area Managers were represented. The Committee met once a month. The object of the meeting was to facilitate discussion and coordination of all important questions concerning the Corporation. At this meeting the administrative and operational problems were discussed and settled wherever possible and future plans were considered. All correspondence or communications to the Government of India were routed through this head office.

The routine day-to-day administrative affairs of the Indian Airlines Corporation are conducted on a regional basis by the area authorities. Each of these area offices had its own personnel, aircraft and installations allotted to it. The area authorities are responsible for their zonal administrations. The Delhi Headquarter co-ordinates, controls and directs the administrative operations in the field areas. The Area Managers in turn control and co-ordinate the affairs of area departments at their respective stations. They also represent the collective authority of the Corporation on the spot.

**Administrative and Personnel Department**

Administrative and Personnel Department dealt with the problems of establishment and co-ordination at all levels of the organization and ensured
industrial peace and harmony. It tried to take into consideration the maximum utilisation of the existing manpower to achieve maximum productivity. It engage itself in the task of maintaining healthy labour relations in accordance with the law of the land and the rules and regulations framed by its management it executive its plans and policies. Implementation of the existing rules and regulations and the maintenance of channels of communication between various units of the organisation were the major responsibilities of the Administrative and Personnel Department of the Head Office. Recruitment, promotion, disciplinary action, performance appraisal, maintenance of the personnel records including confidential reports of delinquent employees fall under the purview of this department. It also looked after the health and hygiene of the employees, provides recreation facilities to them, makes payment of wages, sanctioning leaves and passages, administering accommodation rent and taxes for the Corporation as a whole. Hence Medical Section, Legal Section, maintenance of property, providing accommodation to the staff and also to take co-ordinative action for the selection and finalisation of agreements for office accommodation of the Corporation, control of telephone and teleprinter for running efficient economical communication, system between various offices of the Corporation, staff welfare activities were the innumerable activities handled and controlled by this department.  

The
organisation of Method Chart outlines the administrative organisation of the General Administration Branch at the Headquarters of the Indian Airlines Corporation at New Delhi.

The Secretary of the General Administrative Branch controlled the operation. The Secretariat Section which consisted of four sub-sections namely (1) the Board Secretariat, (2) Committee of Management Secretariat, (3) Parliamentary Questions Section, and (4) the Legal Section. These sub-sections provide the requisite staff aid to the Chief Administrative Officer through the Secretary who functioned as a liaison officer to the former. The primary function of the secretary was to provide a link between the Board of Directors and the Chief Administrative Officer who were responsible for policy formulation and policy execution respectively.

The Chief Administrative Manager’s special and direct responsibility was to implement labour laws, awards of the tribunals and all directives of the State and the Central Government, in regard to the welfare of the staff and sound human relations between the labour and the management. He was assisted by the Chief Personnel Officer of the Corporation.
Fig:5 INDIAN AIRLINES CORPORATION HEADQUARTERS

General Administration Branch
Organisation and Method chart

Secretary ___________ (Liaison) ___________ Chief Administrative Manager

(Secretariat Section)

1. Board Secretariat
2. Committee of Management Secretariat
3. Parliamentary Questions
4. Legal Section

Chief Personnel Officer
Liaison Sr. Medical Officer
Administrative & Personnel Officer

Section A Personnel & Welfare
Section B Research & Training (Other than foreign studies)
Section C Medical

Section D Administration in Areas
Section E Administration of Headquarters
Section F Catering and Transport
Section G Standard Force Planning & Implementation
Section H Works
Training of the personnel to foster better human relations and thereby achieve a satisfactory standard of productivity was another important activity of this Department. Its efficient transport system for the comfort and convenience of the staff and the passengers, including an efficient catering establishment, standardisation of the catering requirements depending on the timings of the operation and the needs of the passengers was directly controlled by this section in co-ordination with other departments.

The Chief Administrative Manager was in-charge of recruitment and supervision of staff at Headquarters office. All cases of recruitment, leave, transfer and promotion were referred to him by the Departmental Heads at Headquarters. He was also responsible for making necessary arrangements for all posts in Grade 10 and above. All such cases of recruitment were referred to him both by the Departmental Heads at Head-quarters and Area Managers. At the bases, the Area Manager was the Administrative Head of the Area and all references to Headquarters Area were made by him.

It is the job of the Administrative Department to ensure that the rules are strictly adhered to and correctly implemented. Indian Airlines Corporation had two sets of standing Orders for factory and non-factory workers, explaining in detail the acts of misconducts for which disciplinary action could be taken. The
Area Administration of each Area was placed under the overall control of Area Manager who was assisted by Deputy Area Manager, Senior Administrative and Personnel Officers and various area departmental beads in charge of different functions. Each area had to control and co-ordinate the activities of a certain number of stations within its jurisdiction. The Corporation lays great emphasis on the training of flying crew, engineering personnel and traffic personnel and training for all levels of management. Senior officers were regularly sent to Staff College, Hyderabad.36

**The Department of Finance**

The Department of Finance was headed by the Financial Controller. It had separate sections to advise the Financial Controller on matters like regulations, budget, accounting, administration, costing and statistics. Insurance was also dealt with by this Department. This office is also responsible for carrying out the functions laid down in the Financial Provisions of the Act.37

There was also a Central Revenue Accounts Officer under the control of the Chief Accounts Officer (Revenue). His duties included maintenance of the revenue accounting of the Corporation as a whole. The power of the Indian Airlines Corporation to spend its revenue was subject to overall limits imposed
by the budget. Expenditure, whether it was capital or revenue, was actually incurred at three different levels in the Corporation. These levels were:

(i) Headquarters level: Besides controlling the activities of the Corporation as a whole the Headquarters exercise direct control on specific major items such as fuel, agency commission, purchase of stores and spares, and insurance.

(ii) Area levels: The area headquarters primarily incur their Areas expenditure on Salary, Provident Fund, Surface Transport, Training of Staff, Rent, Rates, and Taxes, Housing and Parking expenses and expenses connected with Passenger Services.

(iii) Outstation level: A great amount of expenditure is incurred at the various outstations. The expenditure pattern at this level is more or less the same as obtained at the Area Headquarters.38

The corporation was also required to make a forecast of the programmes of its operations for the successive Five Year Plan periods. They included estimates of capital expenditure of the proposed or intended development projects. The actual capital budget of the corporation was thus linked with the overall controls imposed by the development projects approved in the Five Year Plan periods.
The Indian Airlines Corporation prepared and submitted a report to the Government of India giving an account of its activities during the previous financial year. This report gave an account of the proposed activities for the next financial year also. The audited and certified annual accounts, the audit report and the annual report, were placed by the Government before both the Houses of the Indian parliament.39

**Internal Audit**

The Internal Audit Department conducted concurrent audit of the day-to-day transactions of the Indian Airlines Corporation. The duty of this Department was to see whether the procedure laid down was rightly followed and correctly implemented. It made recommendations to prevent recurrence of mistakes and irregularities. It also rendered advice, whenever necessary, to the Area Manager and other Area" Departmental Heads, in consultative capacity and suggest ways and means of reducing recurring expenditure.40

**Engineering Department**

The Engineering Department was the biggest unit in the Indian Airlines Corporation. There were seven factories which it had to look after. These factories were located at Santa Cruz (Bombay), Dum Dum (Calcutta), Hyderabad, Madras, Nagpur and two at Delhi (Safdarjang and Palam). The
Department was headed by the Engineering Manager who is administratively responsible to the Managing Director. The engineering manager exercised vigilance on quality control to ensure thoroughness of inspection of the aircraft, engines and their ancillaries with the ultimate purpose of eliminating delays in service and avoiding possible accidents to the aircraft. Two superintendent assists the Engineering Manager in respect of budgetary control and production statistics etc.\textsuperscript{41}

**Operations and Planning Department**

The Movement Control Centre, on behalf of Operations Management was responsible for the surveillance of day-to-day movements of the Corporation's aircraft according to the prescribed schedules. It was the agency for co-ordinating and taking action on all problems regarding both scheduled operations, deviations and irregular operations. In respect of its task the Movement Control Centre maintained contact with other commercial, operational, technical and service departments involved in the problems of the Corporation's daily operations.

**Central Training Establishment at Hyderabad**

The C.T.E. is one of the important wings of operations department located at Hyderabad. In the pre-nationalisation period, training centres were
located at Delhi, Bombay and Calcutta. The Central Establishment Agency had been constituted at Hyderabad. The programme of training in the Central Training Establishment included training for new recruits, pilot-in-command training, refresher courses, half-yearly renewal of licences, link training, instrument rating for co-pilots and conversion courses.\(^{42}\)

**Planning Department**

The initial study and data for fleet procurement was done by the Planning Department at the headquarters. Its main job was to keep an eye on traffic and revenue factor. Accordingly, it revises schedule and issues them every six months after reviewing the load factor and various other points indicating future trends in aviation administration.

**Traffic Department**

Traffic Department was also called the Commercial Department of the airlines. It functions under the overall control of the Chief Traffic Manager at the headquarters, who was assisted by the Traffic Manager (Headquarters). He was also the administrative head of the traffic activities. The Traffic Manager at the areas was an executive head carrying out the instructions issued from the headquarters. The Section Officer in-charge of a station has an important role to play in the traffic organization had to interpret rules and instructions of
the Traffic, Accounts, Stores, Operation and Department. He was also revenue seeker for the Corporation.43

The Traffic Department worked on business principles and examined the requirements of air service in different areas and accordingly plan operations considering also the convenience of the public to lay down rates and traffics after due consideration of various factors such as the Government policy, the paying capacity of the public and the operations cost. It is the responsibility of the Traffic Department to obtain the maximum business and achieve the maximum revenue load factor on all operations.

Security Section

The overall responsibility for the security of personnel, documents, establishments and protected places in the respective Areas fell on the area managers. The security staff under the direction of the Deputy Area Manager and Senior Administrative and Personnel Officers were responsible for implementing the Area Manager's instructions. Every officer and employee of the Corporation had an individual responsibility for the safety and security of the Corporation's assets.44
Surface Transport

The Senior Transport Officer of the area handled the administration of the transport section. He was assisted by the Transport Superintendent, incharge of movement, maintenance and outstations.

Catering Section

The Indian Airlines Corporation operated its catering and cabin services through two sections. The function of the catering section was to provide wholesome, fresh and palatable food for service on board our flights to passengers and crew, whereas the function of the cabin service section was to equip the cabin of the aircraft and to provide equipment such as crockery, cutlery, blankets, pillows, reading material, sweets and condiments. Physical cleanliness of the cabin and changing of upholstery was however, the responsibility of the Engineering Department. These two sections were so much interlinked and dependent upon each other that it was difficult to draw a line of demarcation.45

A focus at the organisational frame of the Indian Airlines Corporation brings home the fact that it is a real national organisation having its administrative network in all the principal towns of India and her neighbouring countries. The statute designs it as a corporate body to administer a
nationalised enterprise. Though the Ministry of Tourism and Civil Aviation have their broad control over the policy matters, the I.A.C. seemingly enjoys an autonomy in terms of its internal working and external relationships.

The study of the nationalization of Indian air transport and its development reveals that Air India and Indian Airlines Corporations have been free and competitive enterprises. The nationalization changed its character only to the extent that its functions under the broad and overall supervision of the Minister of Tourism and Civil Aviation. The composition and hierarchical relations envisaged between the Board of Directors and the Ministry point out towards the fact that the organizations represent a combination of private efficiency with public responsibility for the attainment of public ends.

A focus on working of Air India and Indian Airlines reveals that they are the most successful corporate enterprises in India’s public sector. After nationalization Air India has extended its operations network, modernized its fleet and has earned a record size sum in foreign exchange. In the myths of international competition and scarce investment, Air India had maintained reasonable satisfactory standards of passenger service and happy industrial relations between the employees and management. The Indian airlines corporation after nationalization expanded its growth and development of air traffic and aviation activities in India.
END NOTES, Chapter -3


3. Government of India, The Air Corporations Act, 1953, Section 2 (V)


8. Ibid., p.17.

9. Ibid., p.17.

10. Ibid., p.19.


12. Ibid., pp. 18-19.


15. Ibid, p.53.


20. Ibid., p.9.


22. Ibid., Chapter III, Section 10, p.5.

23. Ibid., Chapter VI, Section 35, Pp. 16-17.

24. Ibid., Section 36, p.17.

25. Ibid., Section 37, sub-section (2), p.17.

26. Ibid., Section 37, sub-section (1) and sub-section (2), p.17.

27. Ibid., Chapter VII, Section 40, sub-section (1) and sub-section (2), p. 18.

28. Ibid., Chapter VII, Section 45, p.20.


31. The Board of Directors of the Indian Airlines Corporation consisted of the following members on 1. 2. 1974:

1. Air Chief Marshall P. C. Lal  
   Chairman cum-Managing Director

2. Mr. J. R. D. Tata  
   Director

3. Mr. K. N. Mookerjee  
   Director

4. Mr. K. K. Unni  
   Director

5. Mr. M. S. Sundara  
   Director

6. Air Marshal Y. V. Malse  
   Director

7. Mr. N. Khosla  
   Director

8. Mr. P. C. Bhattacharya  
   Director

9. Air Chief Marshall O. P. Mehra  
   Director

10. Dr. Ajit Mozoomdar  
    Director

11. Mr. V. Satyamurthi  
    Director

12. Mr. C. J. Lisely  
    Director

13. Mr. A. H. Mehta  
    Director


33. Ibid, p.15.


41. Ibid, p. 34.

42. Committee on Public Undertakings, Twenty Eighth Annual Report 1972-73, Fifth Lok Sabha, Lok Sabha Secretariat, New Delhi.

43. V.D. Sharma, op. cit., p.27.

44. Ibid., p. 29.