

8. AIR-INDIA LIMITED

8.1 INTRODUCTION

8.1.1 Air India was established in 1953 under the Air Corporations Act, 1953 to provide safe, efficient, adequate, economical and properly co-ordinated international air transport services.

8.1.2 The undertaking of Air India was transferred to and vested in Air India Limited, a public limited company registered under the Companies Act, 1956 with effect from 1.3.94, after the Air Corporations (Transfer of Undertakings and Repeal) Act, 1994 came into effect. As on 31.03.2000, the Company has a total staff of 17,690 employees in India and abroad which excludes 168 people availing 2 years Leave Without Pay (LMP). It has a fleet of 23 aircraft. Air India Limited presently operates to destinations.

8.2 BOARD OF DIRECTORS

The existing Board of Directors is as under :-

AIR INDIA LIMITED

1. *Shri Ravindra Gupta, Part-time Chairman
IAS (UP:65) Secretary, Ministry of Civil Aviation.
 2. Shri M.P.Mascarenhas Managing Director, Air India Limited.
 3. Shri Sanat Kaul, Joint Secretary, Ministry of Civil
IAS(UT:71) Aviation
 4. Shri V. Subramanian, Joint Secretary & Financial
Advisor, Ministry of Civil Aviation
 5. Shri D.V.Gupta Chairman, Airports Authority of India
 6. Shri N. Vaghul Chairman, ICICI
 7. Shri Sunil Arora Chairman & Managing Director, Indian
IAS(RAJ:80) Airlines Limited
 - 7 to 10 Four Functional Directors incharge of
Finance, Commercial, Engineering and
Personnel, to be appointed on the
recommendations of the PESB.
 - 11 to 15 Five Non-official Directors to be nominated
separately.
- * Shri A.H. Jung was appointed as Part-Time Chairman
vice Shri Ravindra Gupta effective 07th
October, 2000.

8.3 CAPITAL:

8.3.1 The Authorised Capital of the Company is Rs.500.00 crores divided into 42,56,36,820 Equity Shares of Rs.10/each and 74,36,318 Redeemable Preference Shares of Rs.100/each. The total issued and paid-up share capital of the company as on 31st March, 2000 is Rs.153.84 crores.

8.3.2 The Company's investments in subsidiary Companies are as under:-

- a) Hotel Corporation of India Limited Rs.40.60 crores
- b) Air India Charters Limited Rs.05.00 Lakhs

8.4 INTERNAL RESOURCES PLOUGHED BACK INTO BUSINESS

8.4.1 As on March, 31, 2000, an amount of Rs.4128.73 crores has been ploughed back into business.

8.5 FLEET

8.5.1 The fleet of the Company as on 30 September, 2000 consists of the following :-

Type of Aircraft -----	Number -----
B747-200	4
B747-300(Combi)	2
B747-400	6
A300-B4	3
A310-300	8
Total	23*

*includes 2 A310-300 and 1 B747-300 and 5th/6th B747-400 aircraft taken on lease.

8.6 PATTERN OF OPERATIONS

8.6.1 The pattern of operations during 2000-2001 was as follows:-

Routes	Summer 2000	Winter 2000-2001
India/London/New York	7	7
India/London/Chicago	3	3
India/Paris	3	3
India/Bangkok/Tokyo	2	2

India/Tokyo	2	2
India/Hong Kong	3	3
India/Hong Kong/Osaka	2	2
India/Singapore	10	10
India/Singapore/Jakarta	3	-3
India/Kuala Lumpur/Singapore	3	-3
India/Gulf	61	-61
India/Nairobi/Dar-es-Sallam	2	-2

8.6.2 In addition, the Company has also Co-operative Arrangements with foreign airlines for Joint Operations and Code Share services using foreign airlines aircraft to several foreign destinations as follows:

TO	WITH
Los Angeles	Singapore Airlines
London	Virgin Atlantic
Copenhagen	Scandinavian Airlines
Vienna	Austrian Airlines
Zurich	Swissair
Lagos	Bell View Airlines
Dubai	Emirates
Kuwait	Kuwait Airways
Mauritius	Air Mauritius
Seoul/Los Angles/	Asiana Airlines
San Francisco/Seattle	
Amsterdam/Geneva/	Air France
Frankfurt/Paris/	Gulf Air
Berlin/Muscat	
Abu Dhabi/Dubai/Muscat	Indian Airlines
Moscow	Aeroflot

8.7 HAJ OPERATIONS:

8.7.1 Air India airlifted 71924 Haj pilgrims during Haj 2000 from various gateway points in India to Jeddah and back from 21.02.2000 to 22.04.2000. In addition to this, four VVIP operations were also undertaken.

8.8 FINANCIAL RESULTS:

8.8.1 The results of the company for the period April/Sept.,2000 (Provisional) and together with results of the company for the year 1999-2000 are given below :_

(Rs. in Crores)

	April/Sept. 2000 (Provisional)	1999-2000	1998-99
Operating Revenue	2288.21	4448.05	4135.26
Operating Expenses	2316.48	4372.00	4139.84
Operating Profit/(Loss)	(28.27)	76.05	(4.58)
Total Revenue	2418.44	4716.97	4236.72
Total Expenses	2441.55	4754.80	4411.20
Net Profit/(Loss)	(23.11)	(37.63)	(174.48)

8.9 PHYSICAL PARAMETERS

	April-Sept. 2000(Prov.)	1999-2000	1998-99
Available Tonne Kms.(Mill)	1114.5	2238.3	2394.3
Revenue Tonne Kms.(Mill)	753.2	1456.5	1473.6
Passenger Kms.(Mill)	6088.3	11587.0	11709/0
Passenger Load Factor(%)	73.6	70.3	66.9
Available Seat Kms.(Mill)	8243.9	16485.8	17496.6
Overall Load Factor(%)	67.6	65.1	61.5
No.of passengers Carried(Mill)	1.67	3.35	3.17
Aircraft utilisation (Hrs.)	3263	2921	3092
On time performance(%)			84.84

8.10 FOREIGN EXCHANGE EARNED/SAVED

8.10.1 The foreign exchange earned/saved by the company for the financial year 1999-2000 was Rs.1363.96 Crores.

8.11 STEPS TAKEN TO IMPROVE FINANCIAL POSITION OF AIR INDIA

8.11.1 Disinvesting Government's equity in the Air India Limited through a process of disinvestment by sale of 40% equity to a strategic partner, upto 10% to employees and the balance by sale to financial institutions and/or on the share market.

8.12. MEASURES INITIATED BY THE COMPANY TO BRING ABOUT A TURN-AROUND IN ITS PROFITABILITY :-

8.12.1 The year 1999-2000 was an eventful year for Air India as the Company for the first time in five years turned around its hitherto loss making financial performance and registered an Operating Profits of Rs. 76.05 crores as against the Operating Loss of Rs.4.58

crores in 1998/99. The following measures were undertaken during 1999-2000 to return to profitability:-

8.12.2 REVENUE MEASURES:

Various measures were initiated during 1999/2000 in order to bring a turn around in the Company's performance. These measures mainly focussed on a reduction of the cost platform and the enhancement of revenue. The measures were:-

- A programme of route rationalisation was introduced to optimise revenue involving curtailment of flights on marginal and loss making routes and the redeployment of this capacity to profit making routes;
- Secondary market were served by Joint Ventures and Code Share arrangements on 11 destinations;
- Emphasis was laid on route profitability by which stations generating higher yields got preferential allocation of seats;
- A two-class configuration of Executive and Economy Class was adopted on the B747-200 and B747-300 aircraft. More economy class seats were added on these and also B747-400 aircraft increasing overall seat capacity without any expansion in fleet size;
- Introduction of more rigorous space management techniques in order to optimise revenues;
- Allocation of Cargo space based on higher revenue cargo uplifts and a preference for cargo carriage to on-line stations to reduce revenue losses through interlining;
- Strengthening Yield Improvement Programme;
- An Automated Revenue Management System (ARMS) for which a preliminary agreement has been signed with a vendor;
- Three surplus aircraft as well as five spare engines were disposed of at the cost of US\$4.109 Million (INR 18.49 crores) and US\$1.20 Million (INR 5.40 crores) respectively.
- Two residential properties at Sydney were also disposed in May, 2000 at a price of (INR 1.14 crores and (INR 1.78 crores) respectively.
- Efforts are also being made to dispose of properties at Nerul and Turbine at Navi Mumbai and at Gurgaon outside Delhi.

8.12.3 COST MEASURES:

Aviation Turbine Fuel Cost(ATF)

- Air India's ATF constitutes 15% of its total cost platform. The profitability of the company is significantly impacted by the movement in fuel prices. Currently, they uplifts 42% of its ATF requirements in India and the remaining 58% abroad. Economic tankering has brought down the level of uplifts in India since Indian ATF prices are significantly higher than the international ATF prices by an average of 35% to 40%. This difference in the ATF prices adds significantly to Air India's fuel bill. In addition to this, AI is required to pay Sales tax at various points of ATF uplift in India which cost the Company incrementally of Rs.72 crores. This Sales Tax is not paid by other international carriers and foregoing factors place Air India in a competitively disadvantageous position vis-a-vis other foreign airlines operating to India. The matter of exempting Air India from the payment of Sales Tax is under active consideration of the Ministry of Civil Aviation.

8.12.4 STAFF COST:

Staff costs constitutes nearly 19% of Air India's total cost. The following efforts were made to reduce the staff cost:

- Freezing of external recruitment in non-operational categories;
- Freezing of vacancies and abolition 781 vacant posts;
- Reduction in staff strength in India through a rolling back of the retirement age from 60 to 58 years;
- Implementation of Schemes such as Shorter Working Week(SWW) and Leave Without Pay(LWP);
- Redeployment of staff from non-operational to operational areas;
- Reduction in temporary postings and duty tours abroad;
- Retrenchment of staff at foreign stations through Voluntary Retirement Schemes.

8.12.5 Other remedial costs measures taken to improve operating results include:-

- Focus on cost reduction and rationalisation of

costs in major areas of Company's functioning;

- closing down uneconomical offices and the downsizing of foreign offices;
- More economical hotel accommodation for operating and Cabin crew;
- Introduction of measures of all stations in India and abroad to curtail use of hotels for staff on duty tours by encouraging them to return to the base the same day;
- A cut of 10% in daily outstation allowance payable at all foreign stations and 25% at Indian stations;
- Reduction of meal wastage and the rationalisation of catering on board;
- Curtailment of Cash Publicity Budget;
- Curtailment of overtime, temporary posting and a substantial reduction in costs in respect of controllable heads viz. Communication, Printing and Stationery, General Charges etc;
- Outsourcing of staff transport and redeployment of drivers to operational areas.

8.12.6 PRODUCT DEVELOPMENT;

- New Uniform were introduced for Air Hostesses effective 15 August, 2000.
- Spiritual Music has been introduced in the In-flight Audio.
- New Menu Cards have been designed for introduction in Jan. 2001.
- Onam Festival was celebrated on AI's flight on Kerala/Gulf and back sectors.
- "Customer Care and Information System" a new Section has been set up in the Flight Service Department to allow for a better passenger service on Board by transmitting advance special handling messages over the network.
- A new concept of customised in-flight service introduced in Aug, 99 enables passengers to indicate their specific food preferences from a wide array of choices offered on Internet;
- Introduction of regional cuisine on flights originating from certain parts of India thus

catering to regional taste and preference;

- Reduction in check-in time and improvement in on-time performance;
- Improvement in the Computerised Reservation System;
- Upgradation of First and Class & Executive Lounges at Mumbai Airport
- Improvement in passenger handling at Airports and also Reduction in baggage delivery time;
- A sub-system, ULD Control Message for Unit Load Device control was developed in-house and implemented to monitor the movement of container and pallets on Air India flights.
- An "Auto Time Limit Cancellation" has been developed to cancel seats which have not been ticketed so that seats are recycled thereby enhancing seat inventory, improving utilisation and increasing revenues;
- Phase II of automatic data collection of passenger final sales for No Show, Go Show, Revenue Load etc. as received from ARTICA Departure Control System has since been developed and is being implemented.

8.13 SYNERGY WITH INDIAN AIRLINES:

8.13.1 In keeping with global developments and to maximise the utilisation of the resources of both Airlines, Air India and Indian Airlines have established and/ or enhanced co-operation in the following areas:-

- A Joint Frequent Flyer Programme entitled "Flying Returns" has been internationalised and launched in the Gulf and Middle East;
- Hub and Spoke flights and Code share flights to extend market reach and seamless travel to foreign destinations from interior points in India and vice versa
- Joint Computerised Reservation System named SITAR;
- Joint Venture flights to Gulf from Kozhikode.
- Appointments of common GSAs;
- Synergy created by rationalisation of routes, fares, space accommodation, advertising,

marketing and promotional activities.

8.14 MARKETING INITIATIVES:

- Numerous initiatives have been taken place on the Flying Returns, Frequent Flyer Programmes, the Maharajah Club and Leading Edge Club recognition programme.
- Enhanced the effectiveness of the distribution network by increasing the number of agent connected to SITAR;
- A system has been set up with Route Managers monitoring the performance and advance booking of various routes and suggesting tactical initiatives;
- Providing the reservation facility on fax.
- Providing interactive access to the Air India Reservations System through Internet with an eventual upgrade to e-Commerce;
- Providing efficient assisted inter-terminal transfer.
- A flexible pricing policy has been established to meet the challenge of improving market share, the fares mix as also the yield in each classes.
- Increasing market penetration through focussing on corporate houses, incentives travel groups, outbound package tours and students;
- Air India has devised new promotional packages for First and Executive Class passengers who can look forward to all expenses paid holiday package for two to destination in India and Abroad. The scheme provides for air tickets, hotel accommodation with breakfast and airport transfers.

8.15 FUTURE PLANS

- Invite First and Executive Class passengers to participate in the forthcoming Food Presentation, prior to menu change;
- Plan to observe Customer Care week in the beginning of 2001;
- Introduction of grooming checks for Cabin Crew;
- Greater efforts to reduce distribution costs and Augment revenue;

- Reviewing relevance of GSAs w.r.t. today's global alliances;
- Market tie-ups inter-carrier agreements such as code share etc.
- to cater to Haj traffic demand, AI is planning to re-route 33 flights in each Phase-I and Phase-II to Jeddah.
- Keeping check and control on repetitive complaints and radically improving passengers service.

8.16 OFFICIAL LANGUAGE

8.16.1 To implement the various provisions of the Official Languages Act and Rules, Air India like other Government Undertakings and Ministries have adopted following three point programme:-

1. Training
2. Translation
3. Implementation

8.16.2 For proper and effective implementation of the above, Hindi Section has been established in the Headquarters and an Official Language Implementation Committee has been set up at the Corporate Level. In terms of the Presidential Order, the Hindi Section has been conducting In-service Training in Hindi, Hindi Typewriting and Hindi Workshops for the officers/staff of Air India.

8.17 POLLUTION CONTROL MEASURES

8.17.1 The disposal of garbage/refuse collection is organised on regular basis with a view to avoiding pollution problems. Vehicles are sent to the Transport Section for regular preventive maintenance and regular PUC checks. In addition, anti-smoking signs are displayed in all the offices to discourage staff and visitors from smoking.

8.18 WOMEN'S WELFARE

8.18.1 A Women's Cell has been functioning at Mumbai and Delhi from September 1, 1993 in accordance with Government guidelines.

8.19 INDUSTRIAL RELATIONS

8.19.1 The Industrial Relations situation for the period under review was encouraging. There was a marked improvement in the general attitude of the employees with complete co-operation in the working of the Company.

8.20 TRAINING PROGRAMME

8.20.1 The Company has been imparting training in various fields depending upon the need to technical and general categories of officers/staff.