

purposes for which it was established, it has to modify its Articles and also to strengthen its resource? for the kind of assistance which may be called balance of payments support until the developing countries have finally emerged. India's balance of payments problems are not of the seasonal and cyclical variety which is usually narrowly interpreted as limiting the sphere of the Fund's assistance.

Not that the Fund has not changed with the times. That it has, and in a dramatic manner too, when, after the successful reconstruction of Europe and return of international stability, a new threat appeared of impairment of the international monetary system, in the shape of violent movements of short-term capital among the lead-

ing financial centres. The Fund was not wanting in boldness and energy in rising to the occasion and in evolving arrangements by which it strengthened itself to meet this danger. It secured the general agreement of the major industrial countries to lend to the Fund up to the equivalent of \$ 6 billion, should this be necessary to forestall or cope with a threat of impairment of the international monetary system.

The special balance of payments problem which must afflict all developing countries, however, does not yet seem to have registered with the Fund authorities. Their conception and attitude, we are 'naturally afraid, and with good reason too, are unduly narrow and short-sighted. The Fund is often suspected of being

under the blinkers of the monetary problems and policies of the developed countries. It is high time that it were made to realise much more clearly than it has done so far that this world organisation will cease to be effective and defeat the purpose for which it was set up if it continues to fix its gaze on the developed West and to ignore or remain unaware of the legitimate demands of the member countries which are doing their best to attain the very objectives which are enshrined in the first Article of the Fund which defines its purpose.

The task before India is clear : to take her stand as a developing country and press her legitimate demand and not be apologetic or hesitant about it.

Coordination in Air

THE Indian Airlines Corporation has produced a good report. It will be given kudos for 'envisaging' operating profits of Rs 81 lakhs in 1962-63 and for closing the last financial year with a loss lower than had been expected a year ago. It is not, however, the report of a business concern. Set out in the proper style of Government budgets, the IAC has made revenue estimates for the coming year, as also estimates of expenditure along with revised estimates of both for the year that has closed. If the expectations are realised, coming in the wake of two successive years of operational losses, the performance of the IAC will naturally be played up and any one who has the temerity to suggest that with a completely sheltered market and spiralling demand for air travel, long queues on the waiting list, and rising air fares, it would be difficult for an undertaking which had the technical competence to keep its planes flying not to make profits. In fact, such criticism will be resented as being too carping and downright unfair.

Now an air service cannot make profits unless its aircraft is able to get sufficient payload and idle capacity is brought down below a certain point. Given technical effici-

ency in running services, the rest depends on the load factor which is another way of saying on the amount of paying traffic which the service is able to get. It is not only higher fares, it will be readily conceded, which are reflected in the financial results. Fuller utilisation of capacity is also essential and this has been achieved in large measure.

That little idle capacity is left led to a significant change in the Government's policy in regard to nationalised airlines. After the airlines were nationalised, no private air operator was allowed to run any scheduled service. All these years those operators who still wanted to remain in business after the takeover could do so only by running chartered flights, mostly cargo. The relaxation was perhaps warranted by the sheer economics of it as brought out sharply by the experience of the nationalised operation of the regular air routes. IAC could not serve them all or take up all the new routes for which there was a felt need for air transport. So this firm principle of public sector operation, after being adhered to rigidly all these years, was finally relaxed a little and the Act was amended accordingly. This, however, did not come with the grace with

which policies are expected to be modified in the light of experience, as they should be. The change first came through the backdoor, but the Transport Ministry found itself in such hot waters after licensing a private operator on a scheduled service, for reasons wholly unconcerned with the economics or rationale of socialised aviation that it was forced to retract its steps and legalise the situation. This it did by throwing open new airlines in which the IAC would not be interested to such private operators as were prepared to come in. Thus a sorry interlude in the history of nationalised aviation came to a close. But, among other things, it also clearly showed the mounting pressure of demand for air travel and the inability of the IAC to cope with it which, incidentally, automatically ensures fuller utilisation of aircraft which it is in a position to deploy on the various routes.

If the modification has been made in the Act and new routes not wanted by IAC thrown open to private operators, what would one say of the obstinate and wholly irrational opposition of the IAC upheld by the Ministry of Transport, to rationalising the operations of the two nationalised undertakings in order to secure optimal uti-

lisation of capacity? Granted all the advantages of having two separate statutory corporations to run the international and domestic air lines, why should these twins not be on speaking terms, so to say, after so many years of working? There is much talk of co-ordination in the air, but like charity, should it 'not begin at home, in the very departments of Government which are in some respects the worst offenders? The single strongest argument in favour of nationalisation of air services was the economies and advantages of unified operation. This is not in question. In fact, it can hardly be disputed and this basic principle of rational operation is not violated but strengthened by allowing private operators to fill in the gaps.

But why should the IAC persist in its dog in the manger policy by refusing the Air India to lift even such passengers on the domestic routes as the IAC, because of its shortage of aircraft, is quite unable to carry? Let us forget for the moment what the travelling public suffers in consequence. On the domestic routes, all the Air India planes fly with half or even less of the load which they can conveniently carry at no additional cost. Day after day, booking is denied to a large number of passengers on the trunk routes. Incidentally, this enables the IAC to penalise and profiteer on those who are unable to utilise the seats they have booked and paid for. That is a trifling affair (more of which later) compared to the wastage of capacity and under-utilisation of capital which is implicit in forcing the Boeings with their huge carrying capacity and even the few remaining Constellations on the international services to forego a paying load which they could easily carry.

People naturally look askance at non-utilisation of capacity in industry which has been built up at heavy capital and foreign exchange cost, in a country desperately short of capital and foreign exchange. All the factors which account for such unutilised capacity are not easily removable. There are transport bottlenecks which, in spite of best efforts, cannot be broken straightaway, shortages of imported raw material which can-

not be met, labour troubles, inefficiency of management, inadequacy in demand, unbalanced or obsolete plants, none readily remediable. But what holds up fuller utilisation of aircraft capacity in our two nationalised undertakings? Has the Communications Ministry or for that matter anybody in the Government or any of the watchdogs of the nation in Parliament taken notice of and given any thought to the deliberate, persistent and wasteful under-utilisation of capacity in our colossal foreign exchange costing Air-India aircraft on the domestic lap of their flights? This is something which calls for immediate action and what is holding up action is just sheer cussedness on the part of the IAC, aided and abetted by the utter incapacity and thoughtlessness on the part of the Ministry of Communications.

It is not ironical that the profits envisaged by the IAC for the current year should be based on heavy capital investment of Rs 9 crores for buying jet planes for the domestic airlines while bigger and better jets of its sister concern should fly half or more empty on the major domestic routes?

A small and neglected offshoot of excess demand is the impunity with which IAC penalises air passengers who are unable to avail of their bookings and yet are in no position to cancel their reservation 24 hours before the 'scheduled time' of the flight. They have to

forego 50 per cent of the fare if they cancel their reservation 12 hours before the scheduled time of flight, any cancellation within 12 hours means that the entire fare paid is forfeited.

No one has yet questioned the propriety or challenged the legality of this fantastic regulation. Any rules may be framed by the IAC but like the bye-laws of the railways, surely they would not necessarily be upheld by the courts? To penalise passengers to the full extent of fares offends commonsense. And certainly in those cases — and they are today the most common — where the IAC sells chance tickets to others and where, therefore the seats booked, paid for but not utilised, do not go empty and involve the IAC in no loss, the legality of the rules cannot go unchallenged. The IAC would be fully justified in demanding to be compensated for any extra labour involved by deducting a reasonable percentage from the fares when making a refund. The railways deduct no more than 10 per cent on a ticket which is surrendered well in time to ensure that the ticket was not actually used by the passenger concerned. Besides extra cost, there may be another element — the need for some disincentive against passengers changing their mind too often or too thoughtlessly, by making them pay for this luxury as a deterrent. Couldn't the experience of the railways, another nationalised undertaking with much longer experience, be profitably drawn upon and deductions at a comparable, even at a slightly higher, rate made in the case of air tickets?

Mid-Year Special Number

The Mid-Year Special Number of *The Economic Weekly* will be out on July 21, 1962. It will be a 180-page issue bound in art cover and will be priced at Rs 3 per copy. Registration and postage charges will be Re 1.

The Special Number will be supplied free to subscribers. Agents are requested to place their orders in advance.

In view of the Special Number, there will be no issues on July 14 and 28.

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