

Copy of John Stroud's letter dated July 3rd 1961

My dear Raymond,

Thank you for your note and the copy of your article in "Commerce".

I feel I must take up some of your points and those in your letter referring to IAC's fares.

It seems to me essential that India's air transport problems and plans must be broken into two essential parts, present and immediate future; and long term.

I will deal with these in reverse order. I agree that India must have a most comprehensive overall pattern of air transport. This must be cheap, on an enormous scale and probably on different lines to everybody else. The experience and lessons of operators throughout the world must be used to the full but unorthodox methods must be boldly used if they are necessary. I think it possible even that air transport may even have to be planned not simply as an air transport system but as an integral part of India's overall transport system. In other words the public does not have the choice of air, ship, train, bus, lorry or bullock cart, but has to use the method laid down as most suitable and most economic for the route, region or area.

To my mind the task of providing transport, particularly for cargo, is so enormous in India that watertight system, in competition with each other are unnecessary, impractical and uneconomic.

Also to my mind future plans for this must be most fully integrated. IAC's fleet requirements, airport development, lighting and communication must be planned and built together. The country must decide what it can afford to this end and make the money available. Also it must decide what it cannot afford by neglect and bit & piece planning.

Unless money is to be provided it seems pointless to criticize IAC. It seems to me that IAC has never been in a position to do more than buy a few aeroplanes and care its immediate problems and that no provision has ever been made for the future. Unless there is financial Govt backing there can be no long term plans.

I think that India has a requirement for an overall pattern of standard air services with fairly high density seating at a standard economy fare.



That such services should be operated with aircraft capable of carrying considerable freight. The same type of aircraft should be used during the night for operating all cargo services. The Argosy would seem to be the ideal aeroplane but it is no good believing that these could bring immediate relief to IAC because it will be quite a time before any can be delivered.

On trunk routes it is possible that the same aircraft could be used ~~but~~ at the same fare structures and probably making some intermediate stops. But there must be some first line aircraft on these routes. I believe there is enough Indian business traffic and foreign originating traffic to justify a somewhat higher fare to allow more space and meal service. I think the Vanguard would be useful especially because of its cargo capacity but it seems that the Vanguard's economics are not anywhere near as good as those claimed and Sud may well be right in telling IAC that the Caravelle seat-mile cost is better. The additional mph of the Caravelle might make this possible.

I think to get this whole air transport business into perspective you must get rid of your ideas about luxury and frills. There is in existence a very small amount of first class capacity. Passengers using this first class service pay a much higher fare and they get more service and so on. But throughout much of Europe there is no first class accommodation. Most of the big jets have about 16 - 20 first class seats to about 100 - 120 economy class.

Although air fares in Europe remain high there is no luxury and there are no frills. I came from Paris in April in an Air France Caravelle - about 80 people jammed into the tourist section - far too close for comfort or safety and no service of any kind. One cannot even buy a cut of coffee. It is the same on all our internal services - there isn't even any drinking water. This is overall the standard of world air transport - probably 80 to 90% of it so it is no use talking about cutting out luxury. In the USA and in Europe the average person can afford to fly. We can't because the price for our kind of work doesn't go up but organised labour with its Unions, office workers and so on can and do fly in considerable number. Believe me you would not want to sit beside some of the people who now make up our passenger loads.

Now let's look at the present. You say IAC should bring down its fares. Why? You also say that it is impossible to get a seat on most services and the load factor figures confirm this. This being true what is the advantage of cutting fares. Cuts cannot increase business unless capacity is available. It is not available and therefore IAC would be carrying the same loads at less revenue.



The only solution that I can see would be to increase the seating in the Viscounts but this would mean taking the aircraft off service for conversion and in any case the Viscount used with more seats has no baggage and/or cargo capacity. Also the Viscount has considerable payload/performance limitations in high temperatures.

Let us take a look at some IAC operations compared with BEA. Now BEA has a very high reputation as an economic short-haul airline. It makes money on short-haul which is difficult even if its reputation for service is poor.

In spite of BEA's success IAC's costs per capacity ton-mile are lower than BEA's. Taking 1959-60 for both airlines the figures were Rs1.75 for IAC which I work out at 31½ d while the BEA figure was 42.1d.

In the following exercises I have allowed that all IAC's operating costs bear the same ratio but this is probably unfair to IAC because it does not allow for cost of transport of spares, payment of import duty and so on. It must also be remembered that the comparison on Viscounts must be in BEA's favour because their Viscount 700s have 60 seats - I think the IAC figure is 44.

Let us look at the Bombay - Delhi route.

Distance 700 miles      Schedule 3 hr

Fare 191 rupees single and 363 return

which is 286/6d and 544/6d.

Max income from passengers based on 100% passenger load factor all at single fare Rs8,404.

BEA's Viscount 700 costs are £194.3 per hr which is £582.9 for the 3 hr flight.

Let us assume the same IAC-BEA cost ratio as the overall figures above and this gives the IAC Viscount operating cost for Bombay - Delhi as about Rs5,681. If I am right about the 44 seats then at max passenger load there is a margin of 2,723 rupees. If it is at 40 seats then the margin is 1,959 rupees. If all 44 passengers have return tickets then the margin is cut to 2,283 rupees or on 40 pass to 1,519 rupees. Moreover IAC's overall load factor is 70 per cent and it is more reasonable to assume that the Viscounts are not carrying 100 per cent - anyway they probably can't in the temperatures so let us be generous and give the Vi count an 80 per cent load factor and we find the margin over costs comes to Rs2,178 on 44 seat aircraft and Rs1,476 on 40 seat aircraft, based on single fares.

On this basis how is it possible to cut fares ?



Let us now look at a comparable BEA operation with the Viscount 700. London - Venice is the same distance as Bombay - Delhi. BEA charges £25.5 single and £45.9 return compared with IAC's £14.6.6 and £27.4.6.

BEA has 60 seats. The BEA passenger load factor is about 70 percent so allowing round trip fares and say 42 passengers (ie 70 per cent) BEA's income one way is £1,060.10. The flight time is 3 hr and the BEA hourly Viscount cost at £194.3 comes to £582.9 - a margin of about £480. On this showing it looks to me as if IAC is doing a damned good job to even break even.

If IAC's fares are cut then they must have more capacity - there is no point in attracting traffic if you can't carry it, and they must have economic aircraft. A fleet of DC-6Bs would probably be the wisest choice for IAC if the airline is to make money.

You will probably get into a flaming temper and say "he thinks he knows all about IAC". Don't do this. I am not trying to say what is right or wrong but I think the figures must be studied.

For the future it seems that an overall plan is essential not the least part being the establishment of a first class air transport school - for crews, engineer, traffic, sales and all other staff.

I think I have said enough and will now await your blast. I am getting pair of asbestos gloves

Yours

sd/-

PS.

The book is finished. I delivered it just over a week ago. It will have 365 photos.

Have you received the 1914-18 Aircraft Book ? please let me know.