

153

**TOURIST SPECIAL TRAIN
THE PALACE ON WHEELS**

**MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

**HUNDRED AND FIFTY-THIRD
REPORT**

**LOK SABHA SECRETARIAT
NEW DELHI**

HUNDRED AND FIFTY-THIRD REPORT

PUBLIC ACCOUNTS COMMITTEE (1988-89)

(EIGHTH LOK SABHA)

TOURIST SPECIAL TRAIN
THE PALACE ON WHEELS

[Action taken on 89th Report (Eighth Lok Sabha)]

MINISTRY OF RAILWAYS
(RAILWAY BOARD)



Presented in Lok Sabha on 24-4-1989

Laid in Rajya Sabha on 24-4-1989

**LOK SABHA SECRETARIAT
NEW DELHI**

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CORREIGENDA TO 155RD REPORT (8TH LOK
SABHA) OF PUBLIC ACCOUNTS COMMITTEE

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PUBLIC ACCOUNTS COMMITTEE

(1988-89)

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*Shri Amal Datta

MEMBERS

Lok Sabha

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3. Shri Chhitubhai Gamit
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*Appointed as Chairman w.e.f. 5-9-1988 *vice* Shri C. Madhav Reddy resigned from Chairmanship of the Committee.

*Appointed w.e.f. 7-12-1988 *vice* Shri Kalpnath Rai ceased to be member of the Committee on his appointment as a Minister of State.

[iv]

19. Shrimati Manorama Pandey
20. Shri Yalla Sesi Bhushana Rao
21. Shri T. Chandrasekhar Reddy
22. Shri Surender Singh

SECRETARIAT

1. Shri G. L. Batra—*Joint Secretary*
2. Shri B. D. Duggal—*Director*
3. Shri A. Subramanian—*Senior Financial Committee Officer.*

INTRODUCTION

I, Chairman of Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Fifty-Third Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Eighty-ninth Report (8th Lok Sabha) on Tourist Special Train—The Palace on Wheels.

2. In this Report the Committee have reiterated the view expressed in original Report that it is not a healthy feature to subsidise pleasure travel of affluent class and recommended that steps may be taken to see that operations of Palace on Wheels are at least self-supporting, if not providing a gain to the Railways.

3. The Committee considered and adopted this Report at their sitting held on 20 April, 1989. Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the recommendations and observations of the Committee have been printed in thick type in the body of the Report, and have also been reproduced in a consolidated form in the Appendix II to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI:
20 April, 1989
30 Vaisakha, 1911 (Saka)

AMAL DATTA
Chairman.
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with action taken by Government on the Committee's recommendations/observations contained in their Eighty-ninth Report (Eighth Lok Sabha) on Tourist Special Train—The Palace on Wheels.

1.2 The Committee's Eighty-ninth Report was presented to Lok Sabha on 28-4-1987. The Report contained 8 recommendations/observations. Action Taken Notes have been received from the Government in respect of all the recommendations/observations. All the recommendations/observations have been noted or accepted by Government. These have been broadly categorised as indicated in the Appendix I.

1.3 The Committee desire that final reply in regard to the recommendation to which only interim reply has so far been furnished, should be submitted to them expeditiously after showing it to Audit.

1.4 The Committee will now deal with the action taken by Government on some of their recommendations and observations.

Steps for making operation of Palace on Wheels self supporting
(Sl. No. 3, Para 1.43)

1.5 Taking note of the fact that the operations of the Tourist Special Train, Palace on Wheels had not reached even the break-even level, the Committee desired the Ministry of Railways to look into the matter. However, the Ministry of Railways (Railway Board) made comparison of this tourist special train with those of passenger trains on the Indian Railways. As this tourist special train caters to the requirements of a very small and affluent class of tourists whereas passenger traffic on Indian Railways caters to the needs of common man in India, the Committee did not agree with the stand of Government. The Committee also took note that whereas the subsidy in passenger services gets distributed over about ten million passengers carried in 1983-84 everyday and would work out to per capita subsidy of Rs. 2.50 p, the foreign tourists who travelled on this train were subsidised to the extent of Rs. 5000/- per passenger in the same year. As the Railways have subsidised pleasure travel of affluent class the Committee did not consider this as a healthy feature.

1.6 In their action taken note by Government, the Ministry of Railways have stated that the project was started in 1982-83 and there were certain unavoidable losses in the first few years (1983-84 and 1984-85) of its operation. According to the Ministry there was also slump in the tourist industry as a whole. The Ministry have also observed that, in coordination with the Ministry of Tourism it has taken several promotional measures and that this tourist special train has since acquired worldwide fame and has been well-received in the overseas markets from 1986-87 onwards. The occupancy of this train is also reported to have since considerably improved, i.e., from 38 per cent in 1984-85 to 48 per cent in 1985-86 and 59 per cent in 1986-87.

1.7 The Ministry also stated as under:

“In 1983-84, the percentage of occupation of Palace on Wheels was only 38 per cent with only 951 passengers. Hence there was loss at Rs. 5000/- per passenger per year. This assessment was with reference to the difference between the fully distributed cost (Rs. 90.81 lakhs) of operation and the earnings (Rs. 43.16 lakhs) for 1983-84. As already informed during oral evidence on this para that in case only direct costs involved in the operation of this train was taken for 1983-84 season, alongwith a shadow credit of 25 per cent for the foreign exchange earnings etc., there is a gain around Rs. 3.08 lakhs or Rs. 323 per passenger.

With higher level of occupancy in 1986-87 there is a marginal loss of Rs. 5.80 lakhs with reference to direct costs and if shadow credit due to this tourist train's foreign exchange earnings etc., is taken into account the profit/gain had increased from Rs. 3.08 lakhs in 1983-84 to Rs. 24.53 lakhs in 1986-87. This profit may further increase in 1987-88 with higher occupancy levels already being witnessed in the beginning of the current season (1987-88)....”

1.8 The Committee note that the occupancy of the train, Palace on Wheels, has increased from 38 per cent in 1984-85, to 48 per cent in 1985-86 and 59 per cent in 1986-87. The Committee do not, however, approve of the stand that a shadow credit of 25 per cent from the foreign exchange earnings etc. could be taken and that thereby, a gain in earnings can be nationally worked out. The Committee would hence reiterate their earlier recommendation that it is not a healthy feature to subsidise pleasure travel of affluent class and

recommend that steps may be taken to see that operations of Palace on Wheels are at least self-supporting, if not providing a gain to the Railways.

Technical defects in operations of Palace on Wheels

(Sl. No. 5, Para 1.45)

1.19 The Palace on Wheels (POW), vintage train, is a novel, innovative and interesting concept of tourism. It is a prestigious project launched jointly by the Indian Railways and Rajasthan Tourism Development Corporation providing transport, facility of a hotel on wheels, local sight-seeing to best known tourist sites in the country and entertainment to tourists at all destinations covered by the train. It offers an old world regal charm with a touch of class. In spite of all the opulence in tourism that this train offers to foreign tourists, POW has not become increasingly acceptable to main stream tourists. The train has been able to achieve average occupancy of 59 foreign tourists only per trip during 1986-87 out of full capacity of 98 passengers, which is insignificant in the light of more than 2.50 lakhs foreign tourists visiting Rajasthan every year.

1.10 The Committee however had a feeling that POW has certain inherent deficiencies. It lacks the quality of comforts of a top-class hotel to which affluent foreign tourists who want to stay comfortable at night after hectic local sight-seeing during day are accustomed. Long duration of itinerary is another factor. There are other minus points pointed out by the tourists such as extensive rattling of coaches causing jarring effects on tourists and upper berths being uncomfortable due to not being broad enough. Going by the past performance of the train and in view of these inherent defects, the Committee felt that there was little possibility of this train achieving break-even level, leave aside profitability.

1.11 In their Action Taken Note, the Ministry have stated that action was taken to minimise the deficiencies by undertaking renovation work in the workshop at Ajmer recently for the operation of the train during the current season (1987-88). As the special interest of foreign tourists is steam locos hauling this train, the Ministry stated that the train will also be hauled by steam locomotives in good fettle on certain sections. The Ministry have further contended that the train is being marketed as a vintage train with the ambience and old world charm of princely India of pre-independence era that the publicity proposed to be done by the Ministry of Tourism would make the prospective travellers aware that though

the 'Palace on Wheels' coaches are old, these have been refurnished in the style of Maharajas so that travelling on POW is a uniquely enjoyable experience for foreign tourists. In the circumstances, the Ministry feel that the prospective tourists will not expect luxury but only reasonable comforts with old world charm in this vintage train.

1.12 On the progress in utilising this train, the Committee have been informed that the bookings for the first four months of the fresh season 1987-88 were much better than previous years and that the first three trips of this train on 7th, 14th and 21st October, 1987 had occupation of 87, 78 and 77 passengers each respectively against the capacity of 98 thereby indicating occupation percentage of 81.

1.13 The Ministry also stated that the train will be projected for its historic and cultural image, offering an exhilarating adventure.

1.14 The Committee would like to be informed of the actual performance of the 'Palace on Wheels' not only with reference to occupancy angle, but also operational and financial angles during the years 1986-87, 1987-88 and 1988-89. The Committee considered that publicity for the 'Palace on Wheels' in India is meagre and recommend that better publicity may be organised.

PART II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note that a special tourists train 'Palace on Wheels' was thought of in 1981 as a result of certain wide-ranging discussions between U.K. and India in connection with the promotion of tourist trade between the two countries. In June, 1981, the Ministry of Railways in consultation with the Department of Tourism, decided to introduce a train 'Palace on Wheels' comprising of saloons, mostly of old vintage, belonging to the erstwhile Maharajas of Princely States and run the train through places of tourist interest in the State of Rajasthan and Agra. This scheme was introduced from 26 January, 1982. The commercial operation of this train commenced from October 1982. The object of this project was not only to promote in isolation railway tourism in India but also to increase country's foreign exchange earnings and to project the image of India abroad.

The role of Indian Railways in promoting tourism, both domestic and foreign, has not been significant except for introducing convenient direct trains, with better class of accommodation, to a few places of tourist interest. Introduction of 'Palace on Wheels' was the Railways' first pilot project for development and promotion of foreign tourism in India.

[S. No. 1 para 1.41 of 89th Report of PAC (1986-87)

VIII Lok Sabha]

Action Taken

Noted.

This has been seen by Audit.

[Ministry of Railways (Rly. Bd.)'s case No. 86/Tourism/
C&AG/(Report)/PAC]

Recommendation

According to Audit the economic viability of this train had not been worked out before it was introduced in 1982. An appraisal

made by the Railway Administration in March, 1985 revealed that the Railways were sustaining loss in the running of this train. During the course of the examination of the subject the Committee were informed that projects in connection with promotion of tourism were not in connection with promotion of tourism were not normally subjected to detailed cost-benefit analysis. In such cases in absence of fixed parameters it is difficult to forecast the demand in terms of number of tourists that are likely to patronise the train with a good degree of accuracy. Moreover in Railways as stated by the Chairman, Railway Board, "quite often passenger trains are introduced on the Indian Railways without doing a specific cost-benefit analysis for that particular train". It was admitted that the Indian Railways did not make a profit on passenger traffic. The Committee were given to understand that there was a subsidy on passenger traffic from freight traffic to the extent of Rs. 900 crores per year. With the existing trend of passenger earnings not being self-sufficient all over the world, it was admitted that though there was a loss in running the 'Palace on Wheels,' it did result in promoting tourism in the country.

[S. No. 2 para 1.42 of 89th Report of PAC (1986-87)
VIII Lok Sabha]

Action taken

Noted.

However, observations in reply to para 1.43 ante may kindly be seen further.

This has been seen by Audit.

[Ministry of Railways (Rly. Bd)'s case No. 86/Tourism/
C&AG/(Reports)/PAC]

Recommendation

After the Committee had taken up this subject for examination, the Railways did undertake another study, which according to the Chairman, Railway Board, revealed "that if we take the marginal cost, this will break evenand taking into account the fact that foreign exchange earned because of this train should also get a 25 per cent notional 'shadow credit'—then the train is virtually breaking even". In the opinion of the Committee in a promotional effort for development of tourism shortfalls are inherent for the promoters, but they act as catalytic agents in

developing tourist infrastructure. If they succeed in catalyst role the effort is worth making. As the Railway are a Government run commercial undertaking, it would be prudent on their part to see that schemes introduced by them are economically viable. The working results of such promotional activities should be brought out distinctly with a view to drawing lessons for assessing the demand properly, computing the costs and benefits reliably and avoiding operational losses in future.

[S. No. 4 Para 1.44 of the Eighty-ninth Report of PAC (1986-87)
VIII Lok Sabha]

Action taken

Noted. This will be borne in mind while processing such railway tourism projects in future. In so far as this tourist train is concerned the promotional efforts through Department of Tourism as detailed in reply to para 1.45 and 1.46 *ante* have resulted in developing tourist infrastructure and the tourist train may likely to become economically viable from 1986-87 onwards.

This has been seen by Audit.

[Ministry of Railways (Rly. Bd)'s case No. 86/Tourism/
C&AG/(Reports)/PAC]

Recommendation

The Committee would recommend that the analysis of the feed back obtained from the passengers travelling on this train, should be done jointly by all the three organisations viz. the Railways, the Ministry of Tourism and the RTDC at regular intervals instead of by the Ministry of Tourism alone as at present.

[S. No. 7 para 1.47 of Eighty-ninth Report of PAC (1986-87)
VIII Lok Sabha]

Action taken

The recommendation of the Committee has been noted for compliance.

This has been seen by Audit.

[Ministry of Railways (Rly. Bd)'s case No. 86/Tourism/
C&AG/(Reports)/PAC]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Recommendation

Another important matter which the Audit paragraph has raised is that the total running cost, was not commensurate with the earnings and the project had not been commercially successful. It had incurred loss of Rs. 42.35 lakhs in 1982-83, Rs. 47.66 lakhs in 1983-84, Rs. 50.61 lakhs in 1984-85 and Rs. 61.86 lakhs in 1985-86. According to the Ministry of Railways (Railway Board) the commercial success of the Palace on Wheels mainly depends upon the extent of its patronage by the foreign tourists. This in turn, to a large extent, depends upon the marketing efforts and publicity back-up for the project abroad in which the Railways had no direct role but were entirely dependent upon other agencies for development of tourism projects. The Committee are now informed (February 1987) that the Ministry of Tourism will be the sole authority for publicity and promotion of Palace on Wheels particularly in overseas markets through its network. The factors which weighed with the Ministry of Railways and the Ministry of Tourism in selecting a State Government Tourism Development Corporation—in this case RTDC, for doing publicity abroad, when the project was taken up in 1982, are not known to the Committee. Since the RTDC had no mechanism for publicity in foreign countries, they depended on the channels of the Central Government for this purpose. In retrospect, it can be said that since the response of tourists in Palace on Wheels was not encouraging, attempts for publicity were not upto the mark. Had the right publicity been made and market campaign launched with foresight and vigour at the very beginning, the things would not have come to such a sorry pass. The Committee hope that the belated attempt now being made by the Ministry of Tourism will bear fruits.

[S. No. 6 para 1.46 of the Eighty-Ninth Report of PAC (1986-87)
VIII Lok Sabha]

Action taken

The Ministry of Tourism is now the sole authority for publicity and promotion of 'Palace on Wheels' train in the overseas markets through its offices abroad from 1986-87 season. In view of the fact that full publicity for the POW now rests with the Department of Tourism, a centralised concept has been evolved incorporating production of brochure, poster, a print media campaign developed for overseas markets from Headquarters and an audio-visual presentation (of 10 minutes duration).

After presentations by the Department's empanelled agencies, a highly professional and renowned agency was selected to prepare the publicity materials.

The strategy adopted is selectively geared towards the various market segments and travel trade.

The budget allocation of the Department to be spent through various overseas offices in promoting the 'Palace on Wheels' train is 15.50 lakhs and, in addition, the Department will be spending funds from its budget to produce the brochures etc. for distribution through overseas offices. In the manner, the overseas officers can primarily utilise their budget for advertising in the trade and consumer magazines of the print media. In USA a film is to be telecast on TV commercial which will also be featuring 'Palace on Wheels'.

In view of the special measures taken by the Department of Tourism for publicising the train, it is expected that bookings on the train will considerably increase during the current season (1987-88). As already stated there is 81 per cent occupation in the first three trips of this tourist special train which commenced on 7th, 14th and 21st October, 1987.

Apart from the tourists using the train itself, the concept of the 'Palace on Wheels' has given India tremendous publicity and helped in the general promotion of tourist traffic to India.

This has been seen by Audit.

[Ministry of Railways (Rly. Bd)'s case No. 86/Tourism/
C&AG (Report)/PAC]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS THE REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

It is rather unusual on the part of the Ministry of Railways (Railway Board) to have made comparison of this tourist special train with those of passenger trains on the Indian Railways in the matter of not doing specific cost-benefit analysis. This tourist special train caters to the requirements of a very small and affluent class of tourists whereas passenger traffic on Indian Railways caters to the needs of common man in India.

The subsidy is distributed over about ten million passengers carried in 1983-84 everyday and would work out to per capita subsidy of Rs. 2.50p. As against this 951 foreign tourists who travelled on this train were subsidised to the extent of Rs. 5000/- per passenger in the same year. The Railways have, therefore, subsidised pleasure travel of affluent class which is not a healthy feature.

[S. No. 3 para 1.43 of the 89th Report of PAC (1986-87)
VIII Lok Sabha]

Action taken

The project was started in 1982-83 and there were certain unavoidable losses in the first few years (1983-84 and 1984-85) of its operation. There was also slump in the tourist industry as a whole. However, as brought out in detail in reply to para 1.45 and 1.46 ante, this Ministry in coordination with Ministry of Tourism has taken several tourist promotional measures. As a result, this tourist special train has since acquired world-wide fame. As this venture is quite innovative, this tourist train has been well-received in the overseas markets from 1986-87 onwards. The occupancy of this train has also since considerably improved, that is, from 38 per cent in 1984-85 to 48 per cent in 1985-86 and 59 per cent in 1986-87.

In 1983-84, the percentage of occupation of Palace on Wheels was only 38 per cent with only 951 passengers. Hence there was

loss at Rs. 5000 per passenger per year. This assessment was with reference to the difference between the fully distributed cost (Rs. 90.81 lakhs) of operation and the earnings (Rs. 43.16 lakhs) for 1983-84. As already informed during oral evidence on this para that in case only direct costs involved in the operation of this train was taken for 1983-84 season, alongwith a shadow credit of 25 per cent for the foreign exchange earnings etc., there is a gain around Rs. 3.08 lakhs or Rs 323 per passenger.

With higher level of occupancy in 1986-87 there is a marginal loss of Rs. 5.80 lakhs with reference to direct costs and if shadow credit due to this tourist train's foreign exchange earnings etc., is taken into account the profit/gain had increased from Rs. 3.08 lakhs in 1983-84 to Rs. 24.53 lakhs in 1986-87, according to the cost study results furnished by the Western Railway (GM, Western Railway's letter No. G. 538|TC|I|II|POW Dt. 5|5|1987—copy enclosed). This profit may further increase in 1987-88 with higher occupancy levels already being witnessed in the beginning of the current season. (1987-88) vide reply to para 1.45 and 1.46 ante.

This has been seen by Audit.

[Ministry of Railways (Rly.Bd)'s case No. 86/Tourism/C&AG/
(Report)/PAC]

V. MALONI

FA&CAOs OFFICE

DY. CAO (S)

WESTERN RAILWAY

CHURCHGATE

BOMBAY—400020.

D.O. NO. G. 538|TC|1|2|POW

May 5, 1987.

Dear Sbri Murali,

Sub: Palace on Wheels, Financial Appraisal for 1986-87.

Ref: Your XXR No. 85 CA (Stat) Gen|4 dated 13-4-87.

In continuation to FA&CAO (WST) Western Railway's D.O. letter of even number dated 23-4-87 statement showing the cost of operation of Palace on Wheels for the year 1986-87 is enclosed here-

with. The fully distributed cost figures have been shown under 'A' and the incremental cost figures and escalated earning figures under 'B' therein.

The decrease in fully distributed cost in 1986-87 over 85-86 is mainly due to drop in Electrical expenses under workshop.

Yours sincerely,

Sd/-

V. Maloni

Encl. As above.

Shri S. Murali,
Jt. Director, Stat. (CA)
Railway Board,
Rail Bhavan,
NEW DELHI—110001.

Statement showing the cost study of "Palace on Wheels"

(Figures Units os

(A) Fully Distributed Cost :

1986-87

I. Provision & Maintenance of Motive Power

(i) Interest	248248	
(ii) D. Ro. F.	112112	
(iii) Repairs & Maintenance	533362	
(iv) Fuel & Lubricating Oil	907579	
(v) Crew	74351	
(vi) Total		1875652

II. Provision & Maintenance of Coaches :

(i) Interest	1306715	
(ii) D. Ro. F.	1823697	
(iii) Repairs & Maintenance (Mech)	707565	} 1473833
(Elec.)	766268	
(iv) Total		4604245

III. Cost of Power Generation

(i) Fuel	107827	
(ii) Lubricating	4670	
(iii) Energy supplied at wayside station	25200	
(iv) Total		137697

IV. Cost of Train Examinations enroute :

(i) Mechanical examination & Maintenance	157116	
(ii) Electrical Maintenance	42390	
(iii) Total		199506

V. Cost of staff on Train :

(i) Traffic	34169
(ii) Mechanical	87277
(iii) Electrical	68416
(iv) S&T	38908
(v) RPF	34200

GRP

(vi) Total	263070
VI. Total Direct Costs (I & V)	
VII. Indirect Costs :	
(i) Cost of Track Maintenance	1122978
(ii) Cost of Signalling	104149
(iii) Other transportation expenses including train passing	291137
(iv) Total	1518264
VIII. Total Direct & Indirect costs (VI+VII)	8598334
IX. General O.H. (19.63 of VIII)	1476133
X. Cost including O.H. + (VIII+IX)	10074467
XI. Central Charges	50765
XII. Grand Total (X+XI)	10125232
XIII. Total Gross Earnings	6499917
XIV. Loss	3625315
XV. Average No. of passengers per trip	744
XVI. Average occupation of berth	58%
(1) Incremental Cost :	
(i) Incremental cost of operation at 56.2% of XII	5672155
(ii) Profit when taking incremental cost	827762
(iii) Earnings Escalation to 125 to provide for foreign exchange	8124896
(iv) Profit over incremental cost when earnings are escalated	2452741

Recommendation

The 'Palace on Wheels' (POW), a vintage train, is a novel, innovative and interesting concept of tourism. It is a prestigious project launched jointly by the Indian Railways and Rajasthan Tourism Development Corporation providing transport, facility of a hotel on wheels, local sight-seeing to best known tourist sites in the country and entertainment to tourists at all destinations covered by the train. It offers an old world regal charm with a touch of class. In spite of all the opulence in tourism that this train offers to foreign tourists, POW has not become increasingly acceptable to main stream tourists. The train has been able to achieve average occupancy of 50 foreign tourists per trip during 1986-87 out of full capacity 98 passengers only, which is insignificant in the light of more than 2.50 lakhs foreign tourists visiting Rajasthan every year.

The Committee have a feeling that POW has certain inherent deficiencies. It lacks the quality of comforts of a top-class hotel to which affluent foreign tourists are accustomed and who wants to stay comfortable at night after hectic local sight-seeing during day. Long duration of itinerary is another factor. There are other minus points pointed out by the tourists such as extensive rattling of coaches causing jarring effects on tourists and upper berths being uncomfortable due to not being broad enough. Going by the past performance of the train and in view of these inherent defects, there is little possibility of this train achieving break-even level, leave aside profitability.

[S. No. 5 para 1.45 of the Eighty-Ninth Report of PAC (1986-87)
VIII Lok Sabha].

Action Taken

Action was taken to minimise the deficiencies by undertaking renovation work in the workshop at Ajmer recently for the operation of the train during the current season (1987-88). As the special interest of foreign tourists is steam locos hauling this train, the train will also be hauled by steam locomotives in good fettle on certain sections.

The train is being marketed as a vintage train with the ambience and old world charm of princely India of pre-independence era. The publicity proposed to be done by the Ministry of Tourism would make the prospective travellers aware that though the 'Palace on Wheels' coaches are old, these have been refurnished in the style of Maharajas and travelling on POW is a uniquely enjoyable experience for foreign tourists. Thus the prospective tourist will not expect luxury but only reasonable comforts with old world charm in this vintage train.

The bookings for the first four months of the fresh season 1987-88 are reportedly much better than previous years. The first three trips of this train on 7th, 14th and 21st October, 1987 had occupation of 87, 78 and 77 passengers each respectively against the capacity of 98 thereby indicating occupation percentage of 81.

The train will be projected for its historic and cultural image, offering an exhilarating adventure.

This has been seen by Audit.

[Ministry of Railways (Rly. Bd)'s case No. 86/Tourism/C&AG/
(Report)/PAC]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The tourist special train Palace on Wheels is the first pilot project of the Indian Railways for development and promotion of foreign tourism in India and was commissioned in October, 1982. Up to March 1987, 124 commercial tours of this train had taken place. The train could not reach even break-even level. Only during 1986-87 season, the train has been able to achieve 58.7 per cent occupancy. Profitability of the train is possible only where there is cent percent occupancy. The Committee note that the Government have taken fresh initiative for publicity and promotion of Palace on Wheels in overseas markets both in traditional as well as in new markets and during 1986-87 season occupancy has shown sign of improvement also. In case the materialisation of bookings for Palace on Wheels for 1987-88 tourist season is not found satisfactory and in view of continued operational losses incurred by the project since its inception, the Committee recommend that Government should review the performance of the train. The Committee is of the view that the project authorities should also undertake a survey to find out the preference of foreign tourists and consider the improvement they would like to be added to the Palace on Wheels. The Committee desire that the review proposed above must be taken up expeditiously and result communicated to the Committee.

[S. No. 8 para 1.48 of 89th Report of PAC (1986-87) VIII Lok Sabha]

Action Taken

As decided by the Committee, a survey to find out the views of the tourists traveling on 'Palace on Wheels' will be conducted during the current season (1987-88). The results will be communicated to the Committee in due course. The Railways and the RTDC are hopeful that the performance of this train during the current season (1987-88) will be substantially better and will have a high percentage of occupancy.

This has been seen by Audit.

[Ministry of Railways (Rly.Bd)'s case No. 86/Tourism/C&AG/
(Report)/PAC]

NEW DELHI;

20 April, 1989

30 Vaisakha 1911 (Saka)

AMAL DATTA,

Chairman,

Public Accounts Committee

APPENDIX I

Categorisation of Action Taken Notes on observations/recommendations contained in the Eighty-Ninth Report.

- (i) Recommendations and observations that have been accepted/noted by Government:
Sl. Nos. 1,2,4,7.
- (ii) Recommendation and observation which the Committee do not desire to pursue in the light of the replies received from Government:
Sl. No. 6.
- (iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration:
Sl. No. 3,5.
- (iv) Recommendation and observation in respect of which Government have furnished interim replies:
Sl. No. 8.

APPENDIX II

Conclusions and Recommendations

Sl. No.	Para No.	Ministry of Department concerned	Conclusions/Recommendations
1	2	3	4
1	1.8	Railways	<p>The Committee note that the occupancy of the train, Palace on Wheels, has increased from 38 per cent, in 1984-85, to 48 per cent in 1985-86 and 59 per cent in 1986-87. The Committee do not, however, approve of the stand that a shadow credit of 25 per cent from the foreign exchange earnings etc. could be taken and that thereby, again in earnings can be nationally worked out. The Committee would hence reiterate their earlier recommendation that it is not a healthy feature to subsidise pleasure travel of affluent class and recommend that steps may be taken to see that operations of Palace on Wheels are at least self-supporting, if not providing a gain to the Railways.</p>
2	1.14	-Do-	<p>The Committee would like to be informed of the actual performance of the Palace on Wheels not only with reference to occupancy angle, but also operational and financial angles during the years 1986-87, 1987-88 and 1988-89. The Committee considered that publicity for the 'Palace on Wheels' in India is meagre and recommend that better publicity may be organised.</p>

PART II

MINUTES OF THE 44TH SITTING OF PUBLIC ACCOUNTS COMMITTEE HELD ON 20TH APRIL, 1989

The Committee sat from 1600 hrs. to 1630 hrs. in Committee Room No. 50, Parliament House.

PRESENT

Shri Amal Datta—*Chairman*

MEMBERS

2. Shri Chhitubhai Gamit
3. Shri M. Y. Ghorpade
4. Shri Mohd. Ayub Khan
5. Shri Y. S. Mahajan
6. Maj. Gen. R. S. Sparrow
7. Smt. Usha Rani Tomar
8. Shri Vir Sen
9. Shri Jagesh Desai
10. Shri Kailash Pati Mishra
11. Shri Yalla Sesi Bhushana Rao
12. Shri T. Chandrasekhar Reddy
13. Shri Surender Singh

SECRETARIAT

1. Shri B. D. Duggal—*Director (PAC)*
2. Shri A. Subramanian—*Senior Financial Committee Officer.*

REPRESENTATIVES OF AUDIT

1. Shri G. M. Mani—*ADAS (Rlys. and Reports)*
2. Shri S. B. Krishnan—*Director (Reports)*

- 3. Shri T. Sethumadhavan—*Director (RA and DT)*
 - 4. Shri D. S. Iyer—*DACWM (I)*
 - 5. Shri K. Krishnan—*Joint Director (Director Taxes)*
2. The Committee considered and adopted the following Reports:
- (i) *** *** ***
 - (ii) *** *** ***
 - (iii) Draft report on action taken on 89th Report (8th Lok Sabha) of Public Accounts Committee relating to Tourist Special Train ‘The Palace on Wheels’.
 - (iv) & (v) *** *** ***

3. The Committee authorised the Chairman to finalise the report in the light of verbal and consequential changes arising out of factual verification by Audit and present the same to the House.

The Committee then adjourned.

