

PUBLIC ACCOUNTS COMMITTEE
(1977-78)

(SIXTH LOK SABHA)

SEVENTIETH REPORT

MARKETING & SALES ORGANISATION

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

[Paragraph 8 of the Report of the Comptroller and Auditor General of India for the year 1975-76, Union Government (Railways)]



Presented in Lok Sabha on 14th April, 1978

Laid in Rajya Sabha on 24th April, 1978

LOK SABHA SECRETARIAT
NEW DELHI

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
12	1.25	6	replacements	replacement
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78		35	loading	leading
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152	1.169	10	<u>Substitute</u> the line "the Efficiency Bureau of the Railway Board. As suggested by the Com" by the words "by the Rail- ways in respect of the various container services. A fresh study"	

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PART II*

Minutes of the sittings of PAC held on :

12.10.1977 (FN)	
13.10.1977(FN)	
6.4.1978(AN)	

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(1977-78)

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(iv)

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2. **Shri H. G. Paranjpe—*Chief Financial Committee Officer***
3. **Shri T. R. Ghai—*Senior Financial Committee Officer.***

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Seventieth Report of the Public Accounts Committee (Sixth Lok Sabha) on paragraph 8 of the Report of the Comptroller & Auditor General of India for the year 1975-76, Union Government (Railways) relating to Marketing and Sales Organisation.

2. The Report of the Comptroller & Auditor General of India for the year 1975-76, Union Government (Railways) was laid on the Table of the House on 13th June, 1977. The Public Accounts Committee (1977-78) examined his paragraph at their sittings held on the 12 and 13 October, 1977. The Committee considered and finalised this report at their sitting held on 6th April, 1978. The Minutes of the sitting form Part II* of the Report.

3. A statement containing conclusions and recommendations of the Committee is appended to this Report (Appendix IV). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of this paragraph by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the Chairman and Members of the Railway Board for the cooperation extended by them in giving information to the Committee.

NEW DELHI:

April 10, 1978.

Chaitra 20, 1900 (S)

C. M. STEPHEN,

Chairman,

Public Accounts Committee.

*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

REPORT

MARKETING AND SALES ORGANISATION

Audit Paragraph

1.1. Amongst various measures taken by the Indian Railways to get back high rated traffic to rail as well as to retain the traffic by providing customer oriented service, an important one was the setting up during 1967 of Marketing and Sales Organisation in the Railway Board and the zonal Railways [c.f. Appendix I to Forty-fifth Report of the Public Accounts Committee (1971-72)]. The important objectives and functions of this Organisation are:—

- (a) to maintain close liaison with manufacturers and trading interests and to ascertain and solve their problems in connection with expeditious and safe transportation of their goods by rail by improving the quality of service;
- (b) to plan and provide inter-modal services combining the advantages of rail and road transport like freight forwarder service, container service and quick transit service;
- (c) to keep a watch on the loading of high profit yielding commodities for which daily quota of wagons have been fixed or guaranteed;
- (d) to take up measures to arrest the effect of rail-road competition and to have co-ordination between rail and road transport;
- (e) to undertake marketing research, prospecting and development; and
- (f) to undertake commodity/road surveys to ascertain commodity-wise pattern of traffic moving by road and the points between which this traffic moved with a view to assessing as to which of this traffic could be brought to railways with advantage.

1.2. This organisation has also been entrusted with the following functions:

- (a) formulation of earnings budget and monitoring the trend of earnings including those from the uneconomic branch lines;
- (b) commercial planning and development;
- (c) study of the economic development of new lines and projects; and
- (d) to initiate measures to retain traffic on the Railways by introduction of special rates.

1.3. The Marketing and Sales Organisation in the Railway Board functions under a Joint Director and in each Railway it is under direct superintendence and control of a Chief Marketing and Sales Superintendent in Senior Administrative grade assisted by Marketing and Sales Officer|Assistant Marketing and Sales Superintendents and Commercial Inspectors, etc. The expenditure incurred on the organisation during 1974-75 and 1975-76 was as indicated below:

(Lakhs of rupees)

Railways	1974-75	1975-76
Central	3.79	3.92
Eastern	3.36	3.71
Northern	6.38	7.10
North Eastern	0.84	0.84
Northeast Frontier	0.41	0.43
Southern	5.03	5.43
South Central	3.34	3.59
South Eastern	5.44	5.44
Western	3.66	5.33
Railway Board	1.41	2.06
TOTAL	33.66	37.85

[Sub-paras 8.1 to 8.3 of Paragraph 8 of the Report of C&AG for the year 1975-76 Union Government (Railways)].

1.4. Till the beginning of sixties, the Indian Railways were more or less, the sole means of mass inland transport of goods. Thereafter the road networks developed rapidly and the number of freight carrying trucks in the country progressively increased besides the development of diesel operated high capacity trucks and substantial increase in the all-weather motorable roads. With this and the inherent advantages, which the road transport have over rail transport, such as ability to provide door-to-door service, ability to pick and choose not only commodities for carriage but also the routes and the customers and quoting rates at their will, it was found that the road operators were making increasing inroads into Railway's share of the transport market—particularly the high profit yielding freight traffic. In fact, while the Railways have statutory obligation to carry all traffic offered at a scheduled freight rate, the road carriers have no such obligation and they can pick and choose the commodities, the routes, the customers and adjust the freight charges according to the

market rates. In addition, the Railways as a National undertaking have to bear a number of social burdens like carrying essential commodities such as foodgrains, coal, etc. at subsidised rates whereas the private road hauliers are not involved in any such social purpose.

1.5. The inevitable adverse effect on Railway finances due to increasing inroads by road operators was a cause of concern to the Railways and to meet the situation the Railways took a number of steps to improve the quality of service to the users. It was also realised that under the changed circumstances, the Railways have to adopt a sales policy to suit the needs of the customers and towards this end a Marketing and Sales Organisation was set up on each Zonal Railway in 1967. Likewise, an organisation was also set up in the Ministry of Railways.

1.6. Explaining the genesis of the Marketing and Sales Organisation of the Railways, the Member Traffic stated during evidence:—

“In the period after the depression, various railways created posts of Motor Bus Competition and Commercial Research Officers. In those days the competition was in passenger traffic. During the war the orientation was on regulating the passenger and goods traffic and a priority organisation was set up. These posts were converted into posts dealing with priority. The post of Regional Controller (Railway Priority) was created in 1941. It was not a question of canvassing for traffic, but a question of regulating, controlling and according priority.

The first time we really had surplus of wagons after that was in the fifties briefly and in 1963-64. Road Competition had started developing and we had at that time a Development Wing which was under a Deputy Chief Commercial Superintendent (Development). He handled subjects like new halts, flag stations, developing out-agencies etc. We were financially participating in the State Road Transport Corporations and we had our Directors. The intention was that rail-road traffic should be a coordinated movement. We had a nucleus of staff dealing with this subject. In 1967, when this Marketing and Sales Organisation was set up it was really a re-orientation of their activities. We decided to go and meet the customers instead of waiting for them to meet us. We created a few posts of inspectors. In fact, it was largely out of the nucleus organisation that existed that we developed this organisation.”

1.7. The Marketing and Sales Organisation in the Railway Board functions under a Joint Director, who is assisted by a Deputy Director and

5 Inspectors. The main function of this Organisation is to keep a watch on the effective working of the Marketing and Sales Organisations on the different Railways and to process the decisions on policy matters regarding marketing on the Indian Railways and Rail-Road Coordination in the country.

1.8. The particulars in regard to the present set up of the Marketing and Sales Organisations on the Zonal Railways and the nature of duties performed by the different officers and staff are indicated in Appendices I and II. It is seen therefrom that there is no separate Marketing and Sales Organisation on the North-east Frontier Railway and the work relating to Marketing and Sales activities there is being done by the Commercial staff as part of their normal duties. In other Zonal Railways the Marketing and Sales Organisations comprise of personnel ranging from 11 on the North Eastern Railway to 66 on the Southern Railway. In each Zonal Railway the organisation is headed by the Chief Marketing Superintendent or Additional Chief Marketing Superintendent. In the lower ranks there is a preponderance of Junior Commercial Inspectors and Senior and Junior clerks. The duties assigned to Junior Commercial Inspectors are:

- (i) to maintain contacts with firms, private and public sector commercial undertakings in order to prospect traffic for movement by rail;
- (ii) processing of proposals for quotation of rates to new parties for container service;
- (iii) examination of proposals for introduction of freight forwarder scheme;
- (iv) review of (a) rates quoted to various parties for container service; (b) Freight Forward Scheme from time to time;
- (v) preparation of Project Reports|Revised Project Reports and annual financial appraisals of container services;
- (vi) watch on day-to-day loading and transit of containers and Freight Forwarder wagons; and
- (vii) functions assigned from time to time in regard to various marketing activities indicated above against the duties of officers.

The work of the Senior and Junior Clerks consists of:

- (i) notes on the activities of marketing and sales organisation;
- (ii) preparation of Monthly Appreciation Reports to Board;
- (iii) formulation of Annual Financial Review of 'Uneconomic Branch Lines';
- (iv) correspondence, maintenance of statistics, compilation of periodical reports and routine office work.

1.9. One of the main functions of the Marketing and Sales Organisation on each Zonal Railway is to maintain close liaison with manufacturers and trading interests and to ascertain and solve their problems in connection with expeditious and safe transportation of their goods by rail by improving the quality of service. During evidence the Committee desired to know how many big manufacturers and traders had been contacted by these organisations on different Railways during the period 1972 to 1976. The Member Traffic stated:—

“They have contacted all levels, including the top-most level. But we do not maintain detailed statistics of people whom we have contacted. But all the top firms and the large interests that consign traffic have been contacted. To give an example, in Calcutta we noticed a drop in the traffic of iron and steel manufactured articles. We immediately contacted the Foundry Association and the metal works association to ascertain the reasons for the drop, what problem was irking them.”

1.10. At the instance of the Committee, the Ministry of Railways have furnished the following statistics regarding the contacts made by the Marketing and Sales Organisation of each Zonal Railway with private parties and Government/semi-Government and public undertakings during the last 2 years, i.e., 1975-76 and 1976-77:

Railways	Contacts made with private parties		Govt./Semi-Govt. & Public Undertakings		Total	
	1975-76	1976-77	1975-76	1976-77	1975-76	1976-77
1	2	3	4	5	6	7
Central	380	425	20	25	400	450
Eastern	527	564	13	15	540	579
Northern	499	569	14	38	513	607
N. Eastern	300	310	22	25	322	335
N.E. Frontier	254	269	18	23	272	292
Southern	81	57	22	16	103	73
S. Central	619	625	36	45	655	670
S. Eastern	•	•	•	•	450*	450*
Western	672	971	97	158	859	1129

*No separate statistics have been maintained by S.E. Railway for those years. Necessary instructions have, however, been given for maintaining such statistics in future.

1.11. The Committee asked whether Government Departments|Public Undertakings were also contacted by this organisation for attracting their traffic to Railways. In this context the Committee pointed out that before the Emergency the postal department had brought copies of the Delhi Telephone Directory from Calcutta by trucks and not through the Railways. While stating that the Government Departments|Public Undertakings were being contacted by the Railways, the Member Traffic stated:

“In 1973-74 and the early part of 1974-75 the railways went through a very difficult time, when we had a concatenation of strikes. The major strike was in May 1974. Even before that, there was a lot of interference in the free movement and very often very urgent movements could not be undertaken on the spot.”

To this, the Chairman, Railway Board, added:

“Even then, in the case of the Telephone Directory there would have been no problem because normal booking was open from Calcutta to Delhi and there is also the QTS.”

1.12. The Committee were informed that there were standing instructions that Government Departments should normally send their goods through the Railways. When asked whether these instructions were being complied with by the Government Departments, the Chairman, Railway Board, stated:

“We have very close liaison at the level of the Ministry for bulk commodities like steel, coal, etc. For small items we depend on the Government directive that they should be sent by the cheapest mode of transport, which is perhaps the railways, for long distance in any case. We will admit this much that for the smaller commodities like telephone directories etc., we could have contacted the parties.”

1.13. The Committee pointed out that practically all Government Departments and Public Undertakings had some traffic to offer and therefore the Railways should make efforts to get that traffic. In this connection the Chairman, Railway Board, has stated:—

“We have been concentrating on the 80 commodities, but this one also we will now pursue.”

1.14. As to the reaction of the Government Departments to these efforts, the Member Traffic stated during evidence:—

“...in the days when we had difficulty, some of the cement went to road. We have taken up this matter with the Ministry of

Industries and insisted that we should get our full share of 80 per cent as we have the capacity to move it. Our Marketing and Sales Organisation is keeping a close watch on the movement of cement from each factory. For very short distances, they are allowed to transport by road, but if anybody moves more than 20 per cent by road, their subsidy is cut."

The Chairman, Railway Board, added:—

"I do remember that last year when the Electronics Corporation wanted to send television sets from Hyderabad to Delhi, we did offer them a concession, but ultimately they moved them by road as it was much cheaper. So, we do contact the different sectors, but we may not have tried it to that extent with Government Departments."

1.15. The Committee wanted to know what type of liaison was maintained by the Railways with the Government Departments and Public Undertakings with a view to attracting goods traffic of those organisations and what specific steps, if any, had been taken to ensure that the specialised traffic of the Public Undertakings etc. was transported by Railways only. In a note on the subject, the Ministry of Railways have stated:

"Liaison with Government Departments and Public Undertakings is maintained at different levels through personal contacts, meetings, etc. They are made aware of the various types of services offered by the Railways suitable for transporting their goods. Information is also elicited from them if they have any problems with the Railways like non-supply of wagons, delay in transit, etc. and expeditious action is taken to solve their problems, if any. Special station-to-station reduced rates are quoted, whenever necessary and feasible."

A few instances of the specific steps taken to attract to rail specialised traffic of Government Public Undertakings are given below:

1. To improve loading of sugar on Railways the Commissioner (Movement), Ministry of Food & Agriculture, Government of India, and the Chief Traffic Manager, Food Corporation of India, New Delhi, were contacted by Chief Marketing & Sales Superintendent, Northern Railway and after a series of discussions, Railways were able to persuade the Chief Traffic Manager of Food Corporation of India to issue instructions to their District Managers to move sugar by rail for distances over 75 kms., wherever rail rates were cheaper than road rates.

2. To capture apple traffic from Jammu & Kashmir and Himachal Pradesh, the following steps were taken:—

- (i) contacts were established at various levels including the level of Director, Horticulture, J. & K. and Himachal Pradesh;
- (ii) General Manager met even the Chief Ministers of the two States to get their blessings for getting this traffic;
- (iii) Freight Forwarders were appointed at Jammu Tavi, Kalka and Delhi;
- (iv) supply of wagons and VPUs was assured at all the three points;
- (v) transit time was guaranteed;
- (vi) rates were reduced;
- (vii) "to pay" facilities were given;
- (viii) stacking facilities were given at Jammu Tavi, Kiratpur Sahib and New Delhi;
- (ix) specials were run from Jammu Tavi, Kiratpur Sahib and Kalka;
- (x) supply of VPUs was assured at Delhi for movement of apples to Bombay, Nagpur, Howrah, Bangalore and Madras.

3. To capture scooter traffic from the newly set up factory of Scooter India Ltd., at Lucknow, the Chief Market & Sales Superintendent and FA & CAO, made contacts with the Chairman and the Managing Director and the FA & CAO of the Scooter India Ltd. To meet with their special requirements, Bogie wagon has been specially modified to take their scooters from Lucknow to Madras on a close circuit basis.

As a result of the various steps taken by the Marketing & Sales Organisation, it was possible for the Railways to get good traffic of sugar, fertilizers, cotton, mineral oils, petroleum products, iron & steel, cement, engineering goods etc."

1.16. According to the Ministry of Railways the principal objectives of this Organisation are to improve the quality of service to their customers and plan and provide inter-modal services, combining the advantages of rail and road transport. With this end in view, two new services such as container service and freight forwarder scheme were introduced on the Indian Railways. Marketing and Sales Organisation on the Railways was evolved out of the then existing Research and Development organisation.

This organisation has been entrusted with all the work of the erstwhile Research and Development Organisation in addition to the following work:—

- (i) Container Service;
- (ii) Freight Forwarder Service;
- (iii) Watch over traffic of High Profit Yielding Commodities and General Goods; and
- (iv) Liaison with the Industries and Trade.

1.17. Referring to the objectives and functions of the Marketing and Sales Organisation, which appeared to be quite comprehensive, the Committee enquired whether the Railway Board was satisfied with the performance of the organisation. The Chairman, Railway Board has stated in evidence:

“This organisation in its own way has helped us to project the image as well as large traffic which it was expected to cater. On the objectives, I do agree that they are very laudable and a small organisation cannot be expected to do that alone. And we do feel that they are serving a good bit and they have been serving the purpose for which it started. Particularly with respect to container traffic and others, they have been doing that also.”

He added:—

“For the totality this organisation has very little to do. But this organisation has certainly to do with other items like high-rated commodities and smalls or container traffic, and this organisation has been monitoring those things.”

1.18. Asked whether the experience of the working of this organisation on the Railways justified its continuance and further strengthening, the Chairman, Railway Board has stated:—

“I would certainly say that this organisation has been of great assistance to us in high-lighting and meeting some people where there was a shortfall. This is a public relations organisation. But to what extent it should be enhanced or increased, it had been considered some time back also. We felt that since 85 per cent of our traffic is bulk which is automatically coming and since our capacity is more or less fully utilised, any further increase would not produce any result then what it is producing. It is not growing traffic to that extent to which we are losing mainly in commodities like

tobacco, etc. Personally I feel that increasing this organisation may not commensurately increase these results. That is the view of the Board also. But certainly, this organisation is serving as a catalyst. We are at least preventing any downward trend in such things. We have so far decided not to increase the organisation."

1.19. The Committee desired to know what system was being followed in the Railway Board to monitor the working of the Marketing and Sales Organisation. The Chairman, Railway Board, has stated during evidence:—

"The commercial responsibility is entirely with the Chief Commercial Superintendent who works under the General Manager. He has a small wing called the marketing and research group. In each division there is a divisional commercial organisation and the Divisional Managers have been given some Inspectors or in some cases certain other officers to assist them. The main function of public relations is still with the Chief Commercial Superintendent. This is only for the purpose of specialisation in a certain area where we were found wanting in that period. The work of this organisation is checked by the Divisional Commercial Superintendent or the Divisional Superintendent and at the zonal level by the Chief Commercial Superintendent and the General Manager. At the Board level we have only a skeleton organisation to monitor the totality of its results."

1.20. The Committee desired to know whether the achievement reports or the appreciation reports prepared by this organisation are ever discussed in the Railway Board's meetings. The Member Traffic has stated:—

"We have regular meetings every quarter with the Chief Marketing and Sales Superintendents and then in the Board, we discuss various issues arising out of it."

1.21. When asked whether any item, on the basis of the report of this organisation, had ever been included in the agenda for the Board's meeting, the Chairman, Railway Board has stated:—

"We have no definite data but we will definitely say that the Member Transport, incharge of this organisation, is entitled to take all the decisions unless he wants a combined decision to be taken by the Board. There are no separate minutes to show that we have discussed that in the Board meeting."

1.22. Subsequently in a note, the Ministry of Railways have stated:—

“During the last two years 1975-76 and 1976-77 four meetings were held of the Chief Marketing and Sales Superintendents/ Marketing and Sales Superintendents of all the Railways with the Railway Board. These meetings were addressed by the Minister for Railways on one occasion and the Minister of State for Railways on the other three occasions.

During these meetings achievements, activities and problems of the Marketing and Sales Organisations of the Railways were discussed by the Board with the concerned officers of the Zonal Railways. The achievements of the Marketing and Sales Organisations were reviewed and the scope for further improvements were spelt out. The problems requiring attention at the Board's level arising from these meetings were processed in the normal course and directions, as required, were given to the railway administrations with the approval of the Railway Board, as necessary.”

1.23. In relation to the meetings held in the Railway Board for discussing the problems relating to Marketing and Sales Organisation, the Indian Institute of Management, Ahmedabad which has conducted a review of the working of the Marketing and Sales Organisation of the Western Railway, has stated in its report of 1973:

“A review of the minutes of the meetings held at the Railway Board for the Marketing and Sales Superintendents presents a mixed picture in which very many strategic elements and tactical issues seem to have been mixed up on a random basis. According to our understanding strategic elements pertain to action programmes covering both short and long term goals which are quantifiable for the purposes of measurement. We did not come across formulation of quantitative targets covering an appropriate time span during these meetings making the yardstick for evaluation of the performance of Marketing and Sales Superintendents entirely qualitative and general. Practical moves and decisions pertain to matters appropriate to be dealt with by the field organisation, such as the Zonal Railways themselves. That very specific problems of Marketing and Sales Superintendents were taken up by the Chairman of the Railway Board, raises questions in respect of the wisdom of not holding General Manager of the Zonal Railway responsible for the results produced by these superintendents.”

1.24. The Report further goes on to observe:—

“Perusal of minutes of M&SS’s meetings with the Board indicate that barring few exceptions, initiative for most of the marketing schemes come from Members of the Board and M&SSs then take on the job of proposal preparation and, if approved, implementation plan. One would expect from an effective marketing organisation a reversal of this process with ideas about new proposals emanating from the M&SSs with a thorough analysis of their pros and cons and fully supported by relevant data so that Board could ratify these proposals and question only aspects of general policy and issues of integration among different zones, if such issues are relevant. There also appears to be a tendency in such meetings to push all M&SSs to implement schemes or work on proposals which were found successful on any one zone. There appears little questioning on their relevance to a different marketing environment that may be prevailing in another zone. While there is a lot of merit in sharing and pooling experiences of different M&SSs on the various zones, an independent evaluation of any such schemes is necessary, before a general directive for its implementation is issued.”

1.25. The Committee desired to know what has been the impact of the replacement of the Research and Development wing of the Railways ever since the inception of this organisation. The Ministry of Railways have, in a note, stated:—

“The Marketing and Sales Organisation was formed in 1967 in replacements of the Research and Development wing of the Commercial Department of the Railways. The first few years were the formative period for the organisation and were utilised in planning and identification of the main streams of traffic, consuming centres, main markets, important customers and commodities susceptible to diversion to road. After the markets, customers needs and commodities were identified, the strategy adopted was to concentrate on these so as to capture as much high rated traffic as possible from the road. The impact of this organisation on the movement of goods traffic should be judged only after a few years viz., from the years 1971-72. The total quantum of revenue earning traffic since 1967—78 and that of high rated/high profit yielding traffic

since 1971-72 are given below:—

Year	Total revenue earning traffic in million tonnes	High rated/profit yielding traffic in million tonnes
1	2	3
1967-68	162.4	..
1968-69	170.8	..
1969-70	173.8	..
1970-71	167.9	..
1971-72	170.1	11.4
1972-73	175.3	11.3
1973-74	162.1	10.5
1974-75	173.6	12.4
1975-76	196.8	13.5
1976-77	212.6	13.6

The performance of the Railways in the field of freight traffic cannot be judged in isolation of the general and economic conditions prevailing in the country. The economy, which had been affected by the INDO-Pakistan war in 1971, successive failure of monsoon in many parts of the country in the following years, power shortages, labour unrest, large scale civil disturbances in Gujarat, Bihar, Andhra Pradesh and West Bengal, deterioration in the law and order conditions in various parts of the country, followed by wild-cat strikes, go-slow agitations culminating in the Railwaymen's strike in May, 1974 leading to severe dislocation of railway operations. In spite of these obstacles, the marketing organisation with its efforts could achieve some success in attracting traffic as can be seen from the progressive increase in the loading of high profit yielding commodities from year to year. The set back to the loading in 1973-74 was due to the staff unrest which plagued the Railways throughout the year.

It is added that another impact of the Marketing and sales organisation has been in the attitude of the staff towards Railway users. The sellers market has induced a 'take it-or-leave it' attitude amongst Railway staff during the era of shortage of

rail transport. After setting up of the organisation, the staff were gradually made more conscious of the need to provide customer satisfaction by improving the quality of service. This change in attitude is a major gain and cannot be quantified."

1.26. On the question of the impact of the Marketing and Sales Organisation on Railways' traffic, the Chairman, Railway Board has stated during evidence:—

"This organisation is only a small cell headed by the Chief Commercial Superintendent. We felt it was not necessary to expand it. It is only to keep a liaison with certain manufacturers and big industries. It was to look after only the traffic like the container service or the super-express fast goods services."

1.27. When the Committee pointed out that even without this organisation some high profit yielding traffic would be coming to Railways, the Chairman, Railway Board stated:—

"I maintain that this is a part of the commercial department organisation even though we call it a marketing and sale organisation. If we remove it completely, there will be affectation to the extent of physical target, physical chasing of containers and particularly they have been looking after it very much. Really, this organisation has been very much doing the container job, and it will get affected to what extent is anybody's guess. But it is only a minor organisation. Somebody will have to take that portion of work."

1.28. The Committee desired to know whether there is any machinery in the Railway Board to evaluate the performance of this organisation and also whether any evaluation has been made in the last few years. The Chairman, Railway Board stated in evidence:—

"No evaluation has been made. We can certainly make fresh evaluation and give it to you. There is no difficulty. Still we maintain that this organisation has some impact although it is a small one."

1.29. The Indian Institute of Management, Ahmedabad in their review of the working of the Marketing and Sales Organisation of the Western Railway, have *inter alia* observed:

"While it seems to us that the creation of Marketing and Sales Organisation was overdue, its tasks both at the Railway Board

and at Headquarters level were not defined clearly in relation to specific problems. While on the Western Railway, the increase in share of the high rated traffic in the total earnings can be attributed in some implicit way to the effectiveness of the new organisation, it is difficult to define explicit relationship between these two factors in the absence of quantified goods and targets set for the short and the long run."

1.30. Some other important observations made in the Report of the Institute regarding the functioning of the Marketing and Sales Organisation are reproduced below:—

"It is thus clear that Marketing and Sales Organisation has been assigned a very wide range of activities far beyond the effective scope of 2 officers and 13 inspectors assigned to the organisation. This has become a "periphery" function with assorted jobs being assigned to it which could not be handled elsewhere. There is a lack of focus and the organisation is spread too thin. The entire staff seems overburdened with paper work. The organisation has become an information centre with reports being churned for various individuals inside and outside of the organisation. Amount of desk work involved hardly leaves any scope for outside field work relating to customer development and service. Our optimistic estimate shows that the entire organisation does not spend more than one man-hour per day with the customers in the field. Even these contacts are limited to the customers of special services like containers in the city of Bombay alone. In addition to time constraints posed by heavy paper work, there is no incentive to the inspectorate staff for field work. In fact, local travel facilities and stipulated mode of travel is a disincentive for undertaking any such initiative. Whatever customer contacts exist are primarily in the nature of problem-solving with little servicing, prospecting and market development work. Customer development work in the field of container service was the only exception which also has been substantially cut down, if not totally stopped, because of railways inability to meet the demand that has been generated for this Service. Only a partial credit for this demand generation can be given to the Marketing and Sales Organisation in the light of what seems to be under-pricing of the service far below the "value" such a service offers to the customer. The intention here is not to devalue the efforts of the Marketing and Sales Organisation in generating demand for this service but to point out their inability to obtain enough "stocks" for effectively meeting the

demand so generated and in recommending on a more realistic pricing structure."

"Routine paper work and a wide charter of operation has led to a casual attention being paid to the vital tasks of marketing. Planning work for the overall marketing strategy and for strengthening of specific services and integrating them into an overall plan has been ignored. The organisation has set no specific targets for itself or for the divisions. Information about total market size and Railway's share in it, which is vital for planning work, is totally missing except for some broad idea at the macro level. The Railways need to adopt market by market approach to business development and for this the marketing organisation has virtually no resource."

"To sum up, the Marketing and Sales Organisation in its five years of existence has only made a small beginning making the Railways market and customer oriented. It has been overburdened with enormous amount of paper work and charter of its responsibilities is too wide. The vital task of marketing planning, both short and long term, and their translation into strategic and operational plans has been ignored. No doubt, a number of marketing oriented activities have been initiated during the last five years, but it is hard to decide the amount of credit that can be given to this organisation for initiation and implementation of these ideas. In the absence of any clear-cut plans and targets the performance appraisal of the organisation is almost impossible. The organisation has been operating under a very serious constraint of shortage of personnel, lack of facilities and absence of an effective field wing of its own. It has been entrusted with many odd activities while other more relevant subject areas have been left out of its purview. No thought has been given to the training needs of the personnel in the organisation for an effective performance of the marketing job. Also the marketing and sales superintendent has very little support of other senior or junior level officers in the organisation."

"In spite of the fact that the activities of the Marketing Organisation have under gone a tremendous change and many more subject areas have been assigned to it as compared to what was originally conceived, the staff support to the organisation has remained almost the same. Looking into the fact that a number of new services have been introduced since the creation of this organisation, an adequate increase of personnel to look after these new services has not been brought about.

This has only led to a further depletion of efforts in the field. The key word in the organisation appears to be 'watching' and the organisation most of the time is only keeping track of what is happening in various product areas, markets and services without much attention to the remedial action that is required on the basis of an analysis of changing trends and new developments in business. The question of additional staff has been raised with the Board a number of times and every time Board has remarked that restrictions on expression of staff will not apply to the organisation and their needs would be fully considered. However, till this day no action has been taken to provide additional personnel to take care of the growth in work load."

1.31. The Railway Convention Committee (1973) after reviewing the working of the Marketing and Sales Organisation of the Railways had in paragraph 7.65 of their 8th Report (September 75) emphasised the need for streamlining the functions of the organisation. The Committee had, *inter alia*, observed:—

"The Committee would stress the imperative need to streamline the functioning of the Marketing and Sales Organisation so as to make for better coordination with the trading and business community. Ultimately, the success of the organisation has to be judged by the performance of each individual engaged in the task of sales promotion. It is, therefore, necessary that the organisation is revitalised in a manner that would make it fully response to the needs of the customer."

1.32. The Committee enquired whether the need for continuance of the Marketing and Sales Organisation on the Railways had been examined by the Railway Board in view of the fact that the Railways were carriers of only bulk commodities and the proportion of other goods was very small. The Committee also enquired whether the watch on the movement of the high profit yielding commodities hitherto undertaken by the Marketing and Sales Organisation could not be kept by the Commercial Departments of the Railways. In a note, the Ministry of Railways have stated:—

"The circumstances under which this organisation was formed do still exist and, if anything, there is more justification for the existence of this organisation now than at the time it was formed, in view of the keen competition which Railways are facing from road hauliers, especially in respect of non-bulk high profit yielding traffic. Watch on the movement of high profit yielding commodities is only one of the various functions this organisation performs. This organisation is engaged in taking all possible steps to attract traffic to rail and arrest

diversion of rail traffic to road. All activities of this organisation are, therefore, directed towards this end. There is, in fact, need to expand this organisation to meet the challenge during the years to come. Further, keeping a watch on the movement of high profit yielding commodities is essentially a 'marketing' function, which facilitates the planning of suitable policies with a view to attracting additional traffic in such commodities. It cannot be clubbed with the multifarious functions of the Commercial Department of the railways which include passenger/customer satisfaction, reservation of accommodation, provision of passenger amenities, settlement of claims for compensation, claims prevention activities, catering, goods/parcels handling arrangements etc. As these items of work involve a very heavy work-load, it is not possible to add the work relating to keeping a watch on the movement of high profit yielding commodities to the Commercial Department.

1.33. In another note the Ministry of Railways have stated:—

"The tasks performed by the Marketing and Sales Organisation differ from what was being done earlier mainly on account of introduction of Container and Freight Forwarder Services and also in the matter of approach to the trade which necessarily has to be 'Marketing Oriented' rather than a routine one specially in the context of increasing competition from road transport. Marketing has now become an important activity. This organisation is necessary not only for better customer satisfaction but also for improving the image of railways. In the phenomenal growth of the road transport it is a measure of credit to the Marketing and Sales Organisation that the Railways have been able to retain its share of the revenue earning traffic, particularly the type of traffic which pays for itself."

1.34. The charter of duties assigned to the Marketing and Sales Organisation appears very comprehensive and covers a wide range of activities. According to the Chairman, Railway Board however, the "Commercial responsibility was entirely with the Chief Commercial Superintendent." The Marketing and Sales Organisation was there 'only for the purpose of specialisation in certain areas'. The Committee are, however, distressed to know that even in these limited areas the performance of the Marketing and Sales Organisation had not been up to the mark. The Institute of Management, Ahmedabad, which had conducted the review of the working of the Marketing and Sales Organisation of the Western

Railway had noted a number of deficiencies in the working of the organisation as follows:—

1. While the increase in share of high rated traffic in the total earnings can be attributed in some implicit way to the effectiveness of the new organisation it was difficult to define explicit relationship between these two factors in the absence of quantified goods and traffic set up for the short and long run.
2. Whatever Customer contracts exist at present are primarily in the nature of problems solving with little servicing prospecting and marketing development work. Customer development work in the field of container service was the only exception which also has been substantially cut down because of railway's inability to meet the demand that has been generated for this service.
3. Routine paper work and a wide charter of operation has led to a casual attention being paid to the vital task of marketing.
4. The Marketing and Sales Organisation in its 5 years of existence has only made a small beginning making the railways market and customer oriented.

1.35. The findings of the Institute of Management apart, it is evident from the figures of high rated/profit yielding commodities and total revenue earning traffic that the quantum of high rated traffic during the last 5 years from 1972-73 to 1976-77 has been only between 11.3 to 13.6 million tonnes accounting for 6.45 to 6.40 per cent of the total revenue earning traffic. The Committee could well appreciate this meagre share in the total revenue earning of the railways if the traffic was handled by the normal and conventional commercial organisation. But the Marketing and Sales Organisation has been in existence from the year 1967-68, i.e. nearly for a decade and one would expect that a public relations or catalyst organisation like the Marketing and Sales Organisation showed better results.

1.36. The Railway Board has claimed that the expenditure on this Organisation is a very meagre amount. The Committee would like to point out that the totality of the situation is that besides incurring expenditure on this organisation the railways offer a number of other concessions under the freight forwarder scheme, container services, station to station rates and quick transit service. The Railway Board should therefore ensure that the objectives with which a separate organisation i.e. the Marketing and Sales Organisation was created, have been achieved.

1.37. One of the main functions of the Marketing and Sales Organisation was to maintain close liaison with manufacturers and trading interests and to ascertain and solve their problems in connection with expeditious and

safe transportation of their goods by rail by improving the quality of service. The Committee have been informed that this organisation had made 4114 and 4585 contacts with private parties and Government/Semi-Government and public undertakings during the years 1975-76 and 1976-77 respectively. From the list of duties assigned to the various categories of personnel in the organisation it would appear that these contacts are being made by the junior rank officers such as junior Commercial Inspectors. The Committee are of the view that if Railways are earnest in establishing business contacts through proper salesmanship techniques, the present pattern of staffing of the organisation needs a thorough reappraisal.

1.38. The Committee were surprised to find that so far no special attention has been paid by the Marketing and Sales Organisation of the Railways to the specialised traffic of Government Departments and Public Undertakings. Even though the Government Departments had instructions to use the Railways for their transportation needs, as this is by far the cheapest mode of transport for the long distance in any case, the freight of these departments has not always been carried by the Railways. A case in point is the transportation of copies of Delhi Telephone Directory from Calcutta by the road hauliers. Another example is transportation of cement where the Member Traffic had himself admitted that the required quantity was not moving by rail. The Committee cannot but emphasise that the Railways should direct their attention in this direction as the Government Departments and Public Undertakings are by no means small users of transport facilities. It is unfortunate that the Railways have not tried to attract the traffic of Government Departments/Undertakings to the extent desirable.

1.39. The other principal objective of the Marketing and Sales Organisation is to improve the quality of service to their customers and for that to plan and provide inter-modal services combining the advantages of rail and road transport like freight forwarder service, container service and quick transit service. The Committee have dealt with the functioning of these specific services in the later sections of this report. A general review of the different services, however, reveals that no targets and specific goals in relation to these services have been set down. In the absence of these targets and specific goals it is generally impossible not only to measure performance but also to locate or define problems as they arise in day-to-day operations. The Committee would like to point out that considering the enormous scope for expansion of these services, the Railways will have to step up their marketing and sales promotion activities in this field considerably. It needs hardly any emphasis that Railways can attract additional traffic only by refurbishing their image as a reliable, dependable and efficient mode of transport at competitive rates.

1.40. Yet another task before the Marketing and Sales Organisation is to keep watch on the loading of high profit yielding commodities and to take up measures to arrest the effect of rail-road competition and to have coordination between rail and road transport. They have also to undertake marketing research, prospecting and development and commodity/road surveys to ascertain commodity-wise pattern of traffic. The Committee find from the review of the Institute of Management, Ahmedabad on the Marketing and Sales Organisation of the Western Railway that precious little has been done in the field of planning of work for the overall marketing strategy, and for strengthening of specific services and integrating them into an overall plan. The organisation had set no targets for itself or for the Divisions. Even information about total market size and Railway's share in it, which is so vital for planning work, was found to be missing in the work of the organisation. The Committee feel that enough and serious attention has not been paid to the working of the organisation and its results.

1.41. The Committee learn that during the last 2 years (1975-76 and 1976-77) four meetings were held by the Railway Board with the Chief Marketing and Sales Superintendent of all the Railways. It is stated that during these meetings achievements of the Organisation were reviewed and the scope for further improvements spelt out. But the review conducted by the Indian Institute of Management, Ahmedabad in respect of the Western Railway in 1970 had pointed out that (i) barring a few exceptions, initiative for most of the marketing schemes came from Members of the Board at such meetings and Marketing and Sales Superintendents then took on the job of proposal preparation and if approved implementation thereof; (ii) there appeared a tendency in such meetings to push all Marketing and Sales Superintendents to implement schemes or work on proposals which were found successful on any one zone without any proper study of the conditions obtaining on other zones. The Committee feel that if the Railways have to have its rightful share of the high profit yielding traffic the Board will have to motivate the Chief Marketing Superintendents to come forward with new innovations and the Board will have to most actively monitor those schemes.

1.42. In the light of what has been stated above, the Committee cannot but conclude that functioning of the Marketing and Sales Organisation of the Railways needs to be properly evaluated with a view to streamlining it.

Loading of high profit yielding commodities.

Audit Paragraph

1.43 In October 1970, the Railway Board identified 47 commodities, raised to 80 commodities from 1 October 1975, as having fairly high profit yielding potential. The Marketing and Sales Organisation on the Railways were required to keep a special watch on the loading of and earnings from

these commodities. The following table shows the quantum of this traffic vis-a-vis the total revenue earning goods traffic loaded during 1971-72 to 1975-76 and the earnings therefrom:

Year	Total revenue earning traffic		Quantum of high freight yielding commodities		Percent- age of column (4) to (2)	Percent- age of column (5) to (3)
	carried (million tonnes)	earnings (crores of rupees)	carried (million tonnes)	earnings (crores of rupees)		
1	2	3	4	5	6	7
1971-72	170.1	655.69	11.4	104.82	6.70	15.99
1972-73	175.3	695.95	11.3	105.94	6.45	15.22
1973-74	162.0	644.23	10.5	97.03	6.48	15.06
1974-75	173.6	868.86	* (10.2) 12.4	130.29	7.15	14.99
1975-76	196.8	1095.74	13.5	153.17	6.86	13.95

NOTE.— Figures in columns 4 to 7 against the years 1974-75, and 1975-76 are in respect of 80 commodities and, therefore, not comparable with those relating to years 1971-72 to 1973-74 which pertain to 47 commodities.

*Pertains to 47 commodities.

1.44 There has been a downward trend in the proportion of high profit yielding traffic to the total revenue earning traffic during 1975-76. There has also been a perceptible decline in the earnings from high rated traffic in proportion to total revenue during each of the last five years.

1.45. The railway-wise origin of high profit yielding traffic is indicated below:

Railways	Origin of high profit yielding traffic				
	Forty-seven commodities			Eighty commodities	
	1971-72	1972-73	1973-74	1974-75	1975-76
Central	12.66	13.58	13.93	14.49	15.04
Eastern	15.29	16.77	15.96	23.76	26.75
Northern	11.50	10.55	12.37	21.26	27.77
North Eastern	8.43	6.59	6.70	6.97	9.44
Northeast Frontier	7.07	5.48	4.92	5.08	5.90
Southern	13.26	14.33	13.07	18.13	12.12
South Central	11.27	12.07	10.15	11.22	13.03
South Eastern	17.45	17.47	13.26	11.60	13.05
Western	17.43	16.42	14.51	11.54	11.63
TOTAL	114.36	113.26	104.87	124.04	134.82

There had been marked deterioration in the loading of high profit yielding traffic on the South Eastern and Western Railways followed by North Eastern (except in 1975-76) Northeast Frontier and Southern (during 1975-76) Railways. The shortfall is mainly attributed to:—

- (a) general economic recession including drop in production of industrial goods owing to severe power cuts, credit squeeze, labour unrest, etc.;
- (b) dislocation of railway operations due to deterioration of law and order situation, agitations, strikes and go-slow by Railway-men culminating in the strike of May, 1974;
- (c) restrictions imposed on booking of traffic due to operational difficulties; and
- (d) inadequate supply of empty wagons, particularly covered wagons.

The drop in traffic in Northeast Frontier Railway in subsequent years, as compared to 1971-72 has been attributed by the Railway Board mainly to the commissioning of through road services to North Bengal/Assam with the construction of Farakka Barrage over the Ganga.

1.46 The Railway Board stated (March 1977) that in evaluating the performance of the Marketing and Sales Organisation it should be borne in mind that the recurring expenditure on this Organisation in 1975-76 was less than one per cent of the total freight earnings viz., 0.03 per cent.

It may, however, be pointed out that the increase in the volume of the traffic and consequently in the gross freight earnings of the Railways is a natural consequence of the expansion of economic activity and the rise in the Gross National Product. Further, the freight earnings of the Railways increased, amongst other reasons, due to increase in the freight rates from time to time.

During 1972-73 Railways carried 49.29 million tonnes of 'Other goods' which included high profit yielding traffic and excluded low rated bulk traffic. The volume of this traffic carried during 1975-76 was 46.55 million tonnes and the level of such traffic carried during 1972-73 had not been achieved.

The Railway Board expected (March 1977) that the level of this traffic in 1976-77 would be 48 million tonnes of which the high profit yielding commodities (80) would be about 14 million tonnes representing an increase of 5.1 per cent over the previous year.

[Sub-paras 8.5 to 8.8 of Paragraph 8 of the Report of C.&A.G. of India for the year 1975-76, Union Government (Railways).]

1.47. According to the Indian Railways Year Book, 1975-76, the Railway, along with road transport, are estimated to meet more than 95 per cent of India's land transport requirements. During the period 1950-51 to 1973-74, while motorised freight increased annually, the Railway's share was reduced to 65 per cent of the total freight with corresponding increase in the share of road transport. Since 1950-51 the share of road transport in traffic handled by the two modes has increased substantially. From 10.2 per cent in 1950-51, road transport's share in goods traffic in terms of tonne-kilometres went up to 34.7 per cent in 1973-74.

1.48. In 1975-76 Railways transported 196.8 million tonnes of revenue-earning freight, about 83 per cent of which comprised bulk commodities. The table below shows the freight development since 1950-51:

Revenue Earnings Freight Traffic Trends.

Year	Tonnes (Million)	Index
1950-51	73.2	100
1955-56	92.2	126.0
1960-61	119.8	163.7
1965-66	162.0	221.3
1970-71	167.9	229.4
1971-72	170.1	232.4
1972-73	175.3	239.5
1973-74	162.1	221.5
1974-75	173.6	237.2
1975-76	196.8	268.9

1.49. It is seen from the above table that revenue freight traffic increased at a fast rate up to 1965-66 but the rate of growth had slowed down thereafter. From 1966-67, the original tonnage hovered around the level reached in 1965-66 and crossed it only in 1975-76. It has been stated in the "Indian Railways Year Book, 1975-76" that "while upto 1965-66 rail freight increased at a rate distinctly faster than the expansion of the economy, in 1966-67 to 1974-75 its growth rate was distinctly lower than the growth of the economy; in 1975-76 rail freight traffic increased at about the same rate as the economy."

1.50. A note-worthy trend in the composition of revenue earning traffic is the steady increase in the share of bulk commodities. In 1975-76,

bulk commodities accounted for 82.8 per cent of the tonnage against 58.2 per cent in 1950-51. The following table illustrates the position:

Per cent composition of traffic

	Tonnes	
	Bulk commodities	Other commodities
1950-51	58.2	41.8
1955-56	60.3	39.7
1960-61	72.8	27.2
1965-66	77.0	23.0
1970-71	79.8	20.2
1975-76	82.8	17.2

1.51. The table below shows the commodity-wise break-up of the bulk traffic in 1975-76 and the earning therefrom:

Pattern of revenue-earning freight traffic in 1975-76

Commodity Group	Tonnes originating		Net-tonne-kms		Revenue	
	Million	Percent	Million	Percent	Rupees crores	Percent
Bulk Commodities :						
Coal	64.31	32.67	37,654	27.92	245.98	22.45
Foodgrains	16.18	8.22	15,479	11.48	85.22	7.78
Iron & Steel	10.76	5.46	10,812	8.02	118.40	10.81
Iron Ore and other ores	28.26	14.36	11,311	8.39	96.32	8.79
Cement	11.60	5.89	8,627	6.40	72.77	6.64
Mineral Oils	11.66	5.93	7,051	5.23	86.09	7.86
Fertilizers	7.17	3.64	6,158	4.57	52.21	4.75
Lime Stone & Dolomite	8.35	4.24	2,348	1.74	21.30	1.94
Stones other than marble	4.66	2.36	1,516	1.12	14.18	1.29
TOTAL bulk commodities	162.95	82.77	100,956	74.87	792.47	72.32
Other goods	33.87	17.23	33,918	25.13	303.27	27.68
GRAND TOTAL	196.82	100.00	134,874	100.00	1095.74	100.00

1.52. It is seen from the above that in 1975-76 the bulk commodities like coal, iron and steel, ores, cement, foodgrains etc. accounted for 82.77 per cent of the total revenue earning traffic of the Railways. This implied that the quantum of other goods (including high profit yielding commodities) carried during 1975-76 was only 17.23 per cent of the total. Out of this the share of high profit yielding commodities was only 6.86 per cent, on which the Marketing and Sales Organisations on the Railways were required to keep a special watch.

1.53. An analysis of the quantum of the high freight yielding commodities carried by the Railways during the years 1971-72 to 1975-76 vis-avis the total revenue earning traffic of the Railways indicates the following:

- (a) The share of the high freight yielding commodities in the total revenue earning traffic of the Railways is a small percentage of the total viz. 6.70 per cent in 1971-72, 6.48 per cent in 1973-74, 6.86 in 1975-76 and 6.40 per cent in 1976-77.
- (b) The percentage of earnings on the high freight yielding commodities to the total revenue earning traffic ranges between 15.99 in 1971-72 to 13.95 in 1975-76.
- (c) A very small percentage of the total revenue earning traffic of the Railways thus fetches a comparatively much larger share of the earnings on account of the freight traffic.

1.54. The Indian Institute of Management, Ahmedabad, who had conducted a study of marketing and sales techniques in relation to freight traffic on the Western Railway have, *inter alia*, observed as under in relation to selected high rated traffic:

“Selected high rated traffic is the bread and butter of the Railways. Earnings from less than 10 per cent of the selected high rated goods traffic have to meet the loss incurred in carrying the rated traffic as well as for the passenger traffic that is not paying. In the year 1971-72, Western Railway earned Rs. 16.35 crores on the selected high rated originating traffic which was 16.5 per cent of the overall freight earnings of about Rs. 98.7 crores. In terms of tonnage, selected high rated traffic contributed to only 17.4 lacs tonnes which, though an improvement of 22.1 per cent over the year 1970-71 figure of 14.25 lacs tonnes, formed only about 8 per cent of the overall tonnage lifted. It thus becomes clear that 8 per cent of the selected high rated traffic, which contributes to

16.5 per cent of the overall freight earnings, constitutes perhaps the single most important profitable activity of the Railways. On an average every tonne of selected high rated traffic carried brings twice the earnings of the average low rated commodities and thereby makes an important contribution to the Railways' revenues. This clearly highlights the need for careful planning and marketing strategy development for attracting more high rated traffic, which in fact, is the only hope for the survival and growth of the Indian Railways, in case they do not want to become a liability on the public exchequer."

1.55. Some of the other important points that emerged from the study undertaken by the Institute are:

- (i) Less than 10 per cent of the overall tonnage moved, constituting the selected high rated commodities, yields 20 per cent of the revenues and makes a major contribution to the overheads and profitability. Another 20 per cent of the tonnage contributes to 30 per cent revenues and more than breaks even. As much as 70 per cent of the traffic is of the "loss" type which barely accounts for 50 per cent of the revenues and needs to be subsidised through the contribution generated by the 30 per cent traffic, particularly the top rated 10 per cent tonnage.
- (ii) During the last decade, contribution making traffic grew at a lesser average rate of 1.8 per cent per annum as compared to the low rated subsidised traffic where the annual growth rate was 5 per cent.
- (iii) Road hauliers are making increasing in-roads into the high rated business and have started competing even for long distance traffic. Western Railway probably operates in a more severed competitive environment from trucks than other zonal Railways in the country.
- (iv) Average lead of high rated freight traffic is much higher than the average lead of overall traffic indicating thereby that Railways have even smaller share of the small distance high rated traffic which is predominantly being moved by road.
- (v) Industrial customers' major expectation of a good transport system are sure, dependable and quick service at a competitive price. Reliable and sure delivery appear more important than speed or cost of service as customers usually plan many

other activities around the receipt of goods and materials and plans can badly get upset because of delivery failure.

- (vi) Only a small part of the high rated traffic, hardly 2.5 per cent, moves through special services like containers, Q.T.S., and freight forwarders; rest of it is moving through the normal ordinary system with no differentiation from the low rated subsidised traffic."

1.56 From the figures mentioned in the Audit paragraph it is seen that there has been a downward trend in the proportion of high profit yielding traffic to the total revenue earning traffic during 1975-76. There has also been a perceptible decline in the earnings from high rated traffic in proportion to total revenue during each of the last 5 years. The analysis made by Audit of high profit yielding commodities carried by rail has revealed that the Railways have not only failed to capture additional traffic but have also been unsuccessful in retaining the existing traffic. The Committee asked the Railway Board to furnish data to show that the efforts made by the Marketing and Sales Organisation of the Railways during the period from 1971-72 have resulted in augmenting the proportion of originating traffic in respect of 47 commodities upto 1973-74/80 commodities upto 1976-77 to the total revenue earning traffic carried during the period. In a note, the Ministry of Railways have stated:

"It is, conceded that the proportion of these commodities to the total revenue earning commodities both in quantum and earnings has come down gradually. Over the years, Railways have increasingly become carriers of low rated bulk commodities like coal, iron ore, cement, foodgrains etc. Eight bulk commodities which formed 58.2 per cent of the total revenue earning traffic in 1950-51 accounted for 82.8 per cent in 1975-76. A very large proportion of revenue earning traffic consists of bulk commodities moving on a programmed basis like coal, iron ore for export, traffic to Steel Plants, foodgrains, cement etc. the movement of which is done sometimes even at the cost of more profit earning commodities. It is in respect of the high rated/high profit yielding commodities that the Railways face severe competition from road transport, in view of the inherent advantages which it enjoys over rail transport such as the ability to provide door-to-door service, freedom to pick and choose not only the commodities for carriage but also the destination and the routes and customers and the freedom to give on-the-spot

reduction of rates. Due to the large investments on the development of road transport and due to the liberal issue of inter-state and National permits, road transport has emerged as a strong competitor to rail transport particularly in respect of high rated traffic. The National Permits were issued as part of the 20-point programme of the erstwhile Government and 8,050 National Permits have been permitted to be issued by the Ministry of Shipping and Transport. As a result of the issue of the National Permits even long distance high-profit yielding traffic, which used to be carried by rail, has been creamed off by road-hauliers. In the light of these facts except for the years 1973-74 and 1974-75 when loading dropped due to the law and order situation and disturbed labour conditions on the railways, the tonnage of high profit yielding commodities has been maintained."

1.57. In the context of the Ministry of Railways' claim that except for the years 1973-74 and 1974-75 when loading dropped due to the law and order situation and disturbed labour conditions on the Railways, the tonnage of high profit yielding commodities has been maintained, the Committee pointed out that during 1973-74 the quantum of loading of 47 commodities on which the Marketing and Sales Organisation kept watch was 10.5 million tonnes and 10.2 million tonnes during 1974-75. However during 1974-75 and 1975-76 the watch was kept on 80 commodities and the quantum of loading was 12.4 million tonnes in 1974-75 and 13.5 million tonnes in 1975-76. Therefore although the Marketing and Sales Organisation was now keeping a watch on a larger number of commodities, the increase in tonnage of the high profit yielding commodities was not appreciable. The Committee was informed that the loading of 47 high rated commodities on which watch was being kept till 1973-74, was as under in 1974-75, 1975-76 and 1976-77:

Year	Loading in million tonnes
1974-75	10.2
1975-76	11.4
1976-77	11.2

1.58. During evidence the Committee pointed out that in 1971-72 the percentage of the high profit yielding traffic to the total revenue earning traffic of Railways was 6.70 and that this figure had come down to 6.40 in 1976-77. This implied that so far as this type of traffic was concerned

its percentage has continuously come down despite the fact that there had been an increase in the overall production both in agricultural and industrial spheres and that the Marketing and Sales Organisation was now keeping a watch on 80 instead of 47 commodities. The Chairman, Railway Board stated:

“Our bulk commodity traffic has been increasing. Our rate of growth of highrated commodities has been smaller than the rate of growth of bulk commodities. We do feel that the Railways will lose more and more of high-rated commodities to the Roads. That has been the pattern all over the world: it has been traditional. We have been losing because there is a much better service given by the Roads in this field. We have to face the realities.

Our rate of growth of bulk commodities has however been much greater.”

He added:

“I however submit that we will have to learn a lesson from the pattern the world over. Rail traffic will definitely come down in this type of commodities and we are aware of the problem. But our responsibility is more towards heavier and longdistance traffic. We have to consider the aspect of rail-road coordination also. We don't want any competition in long-distance items, but short-distance items can go to the Roads. After all the development of Roads is as much in the national interest as the development of Railway.”

1.59. The loading of total revenue earning traffic and its components 'Other goods' traffic and high profit yielding traffic in 1972-73, 1975-76, 1976-77 was as under:—

(In million tonnes)

Year	Total revenue earning traffic	'Other goods' traffic	High profit yielding traffic	Percentage of 4 to
1	2	3	4	5
1972-73	175.3	49.29	11.3	6.45
1975-76	195.8	45.53	13.5	6.86
1976-77	212.6	48.25	13.6	6.40

1.60. It is seen from the above that the traffic of 'Other goods' (which includes high profit yielding traffic) carried by Railways during 1975-76 and 1976-77 was less when compared to similar traffic in 1972-73. This drop was indicative of Railways not having succeeded in capturing their share of additional traffic consequent on economic development. When asked whether the Railway Board had considered this aspect, the Ministry of Railways, in a note stated:

"The fact that the Railways have lifted more revenue earning traffic and more high profit yielding traffic in 1975-76 and in 1976-77 than in 1972-73 will show that the Railways have not failed in capturing additional traffic consequent on economic development.

The increase in the component of 'Other goods' traffic of the total revenue earning traffic in 1972-73 seems to have been exceptional rather than representative. It may also be stated that increased production need not necessarily be reflected in corresponding increase in the Railways' loading as the despatches are governed by factors like consumer preference, change in distribution pattern over which Railways have little or no control."

1.61. From the figures given in the table reproduced in the above paragraph it is to be observed that whereas the total revenue earning traffic of the railway during 1976-77 registered an increase of about 8 per cent over the previous year namely 1975-76, the corresponding increase in the high profit yielding traffic was only marginal and almost negligible.

1.62. According to the Audit Paragraph there has been marked deterioration in the loading of high profit yielding traffic on different railways particularly on the South Eastern and Western Railways followed by North Eastern, North-East Frontier and Southern Railways. The Committee desired to know whether the Railway Board had analysed the reasons for the decline in the loading on these Railways. In a note, the Ministry of Railways have stated:

"Yes, Railway Board have analysed the reasons for decline of loading on Southern, South Eastern and Western Railways during the years in question. As indicated in the detailed analysis below, the loading of high profit yielding commodities started improving from 1975-76 on South Eastern and Western Railways and the improvement has been appreciable during 1976-77.

The loading of high profit yielding high rated commodities (in lakh tonnes) on Southern, South Eastern and Western Railways from 1971-72

to 1976-77 has been as under:

	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77
Southern	13.32	14.33	13.06	18.13	12.22	11.39
S.E.	17.45	17.47	13.26	11.60	13.05	15.58
Western	17.43	16.42	14.51	11.54	11.63	13.99

Analysis made of the drop in loading on these Railways in 1975-76 has revealed the following:—

The drop in loading on Southern Railway in 1975-76 as compared to earlier years has been mainly due to severe power cuts contributing to recession in trade, drought conditions, credit squeeze and stiff competition from the road. In 1976-77, the drop in loading as compared to 1975-76 has again been due to more frequent power cuts imposed by State Governments and credit squeeze in general. Loading of sugar was almost half of the previous year due to less production of sugar-cane and diversion of cultivable land to paddy cultivation as the paddy prices had increased. Further, most of the sugar factories in the South had been laid off from July to October 1976 for want of sugarcane. Moreover, movement of sugar was confined to within the States or to nearby States and not for long distances as before.

On the South Eastern Railway, the traffic available is preponderantly programmed and priority traffic like coal, raw materials to steel plants, mineral ores for export, finished steel from steel plants etc. The quantum of high profit yielding traffic is comparatively very small. During 1965-76, the emphasis was on stock building of coal and other raw materials in steel plants, power houses, cement factories etc. and on the clearance of the accumulated stock of the finished products from steel plants. The available resources were therefore, utilized during 1975-76, in preference, to make good the arrears in transport of such high priority traffic. It was only in 1976-77 that adequate transport could be made available for meeting the requirements of high yielding traffic and consequently the traffic has improved in 1976-77 over 1975-76.

On the Western Railway the drop in loading in 1975-76 was due to agitation in Gujarat for holding Assembly elections in April 1975, strike by workers in the transport industry in April, 1975

power shedding in Maharashtra in May 1975, breaches on the B. G. main line in June 1975, stringent credit curbs in the wake of the emergency, breaches on Ajmer, Rajkot and Bhavanagar divisions and heavy destruction due to cyclonic storm in Saurashtra coast in October 1975. Moreover, the available covered stock was deployed to move programmed traffic of foodgrains, fertilizers and cement preferentially. During 1976-77 the loading has improved as compared to 1975-76.

1.63. Referring to the Railway Boards' claim that there has been appreciable improvement in the loading of high profit yielding commodities during 1976-77 on the South Eastern and Western Railways, the Committee pointed out that the quantum of high profit yielding traffic carried by the South Eastern and Western Railway during 1975-76 and 1976-77 was not of the level attained during 1971-72 and 1972-73 by these Railways although the number of commodities on which special watch is kept by the Marketing and Sales Organisation during these two years was 47 as against 80 commodities during 1975-76 and there had been appreciable improvement in 1976-77, the Ministry of Railways, in a note, stated:

“After the set back due to the difficult operating conditions preceding the Railway Strike in 1974 and its aftermath, the Railways were recovering to catch up with the loading already achieved by them. In that process, they have been making steady progress and it will be conceded that the improvement in loading in 1976-77, with reference to the loading in 1974-75 and 1975-76, was appreciable.”

1.64. It has been stated by the Ministry of Railways that the quantum of high profit yielding traffic on the South Eastern Railway was comparatively very small and the traffic carried was predominantly programme and priority traffic, like coal, mineral ore etc. In this context the Committee pointed out that if this was the position, how could the Railway Board justify the expenditure of Rs. 5.44 lakhs on the Marketing and Sales Organisation on the South-eastern railway during the years 1974-75 and 1975-76, which was the second highest as compared to the expenditure on this organisation on other Railways. In a note, the Ministry of Railways have stated:

“The Marketing and Sales Organisation on Railways was evolved out of the then existing Research and Development Organisation. Subsequently, some additional posts were created for the marketing and sales activities and in this organisation the existing Research and Development Section also was includ-

ed. The figure of Rs. 5.44 lakhs represents the expenditure both on the posts which were already in operation at the time of formation of this organisation and the additional posts subsequently created for the Marketing and Sales Organisation. Having regard to this factor the expenditure incurred exclusively on the additional posts created after setting up of this organisation was only Rs. 1.62 lakhs, Rs. 1.63 lakhs and Rs. 1.84 lakhs in 1974-75, 1975-76 and 1976-77 respectively. Compared to the multifarious activities of this organisation, the expenditure of this organisation is very modest."

1.65. According to the Audit Paragraph the marked deterioration in the loading of high profit yielding traffic over the years on different Railways has been *inter alia* due to restrictions imposed on booking of traffic on account of operational difficulties and inadequate supply of empty wagons particularly covered wagons. The Committee enquired whether the high rated traffic was not exempt from operational restrictions and if so why the imposition of restrictions had been held to be one of the reasons for decline in traffic. In this connection, the Ministry of Railways have, in a note, stated:

"High rated traffic as a general rule is exempt from normal operating restrictions. It is, however, subjected to restrictions in the event of abnormal situations leading to severe congestions due to floods, breaches, strikes, civil disturbances, war etc. It is under these circumstances that the movement of high rated traffic has to be controlled and its loading suffers as a consequence."

1.66. In reply to the question as to why could not the demand of empty wagons be met for carrying such traffic, the Ministry of Railways stated:

"Railways' obligations to lift committed traffic like sponsored foodgrains etc. necessitates deployment of a large number of empty wagons to meet the day-to-day requirements of such traffic. Wagons left over after providing for the committed traffic have to be allotted to other commodities in the order of their priority and date of registration. High profit yielding commodities as far as possible have already been allotted higher priorities to ensure their loading on day-to-day basis. However, they cannot be given priority over and above the essential commodities required for the economic development of the nation."

1.67. In this context, the Committee desired to know how the Railway Board proposed to retrieve the lost traffic and secure additional traffic. In a note, the Ministry of Railways have stated:

“The Railways are trying their best to retrieve the lost traffic and to secure additional traffic. Some of the steps taken are given below:

- (i) Maintaining close liaison with trade and industry to ascertain their needs and try to solve their problems in the matter of movement of their goods;
- (ii) Introduction and expansion of door-to-door services like Container Service, Freight Forwarder Scheme etc;
- (iii) Running of super fast express goods trains to fixed schedules;
- (iv) Quoting of special reduced rates to compete with road transport wherever feasible and justified;
- (v) Introduction of street collection and delivery services and mobile booking services;
- (vi) Introduction of Quick Transit Services etc.”

1.68. The Committee note that one of the main functions of the Marketing and Sales Organisation of the Railways is to keep a watch on the loading of high profit yielding commodities. As a matter of fact the total efforts of this organisation are directed towards this end. Despite this the Committee regret to find that over the years the Railways have not been able to wean away this traffic from the road hauliers. The analysis made by Audit of high profit yielding commodities carried by rail has revealed that the Railways have not only failed to capture additional traffic but have also been unsuccessful in retaining the existing traffic. The quantum of and earnings from high rated/profit yielding commodities on which the Organisation is required to keep a special watch have shown a down-ward trend over the last five years. During 1971-72, when the Organisation was keeping a watch on loading of 47 commodities, the tonnage originating was 11.4 millions constituting 6.70 per cent of the total revenue earning traffic and 15.99 per cent of earnings, while in 1975-76 when the number of high rated/profit yielding commodities had been raised to 80, the quantum of traffic was only 13.5 million tonnes constituting 6.86 per cent of total revenue earning traffic and 13.95 per cent of earnings. In regard to the prospects of attracting more high rated traffic to the Railways, the Chairman, Railway Board had in his evidence before the Committee stated :

“We do feel that the Railways will lose more and more of high-rated commodities to the Roads.”

The Committee feel concerned about this situation.

1.69. It has been conceded by the Railway Board that the proportion of these commodities to the total revenue earning commodities both in quantum and earnings has come down gradually. Over the years the railways have increasingly become carriers of low rated bulk commodities like coal, iron ore, cement, foodgrains etc. A very large proportion of the revenue earning traffic of the Railways thus consist of bulk commodities moving on a programmed basis; the movement of which is done sometimes even at the cost of more profit earning commodities. An analysis of the quantum of the high freight yielding commodities carried by the Railways during the years 1971-72 to 1975-76 vis-a-vis the total revenue earning traffic of the Railways indicated that (a) the share of the high freight yielding commodities in the total revenue earning traffic of the Railways is a small percentage of the total viz., 6.70 per cent in 1971-72, 6.48 per cent in 1973-74, 6.86 per cent in 1975-76 and 6.40 per cent in 1976-77; (b) the percentage of earnings on the high freight yielding commodities to the total revenue earning traffic ranges between 15.99 in 1971-72 to 13.95 in 1975-76. Thus a very small percentage of high rated/profit earning traffic of the railways fetches a comparatively much larger share of the earnings and thereby makes an important contribution to the Railway revenues. This clearly highlights the need for careful planning and marketing strategy development for attracting more high rated traffic which in fact is the only hope for the survival and growth of the Indian Railways in case they do not want to become a liability on the Public Exchequer.

1.70. The Committee were surprised to learn that the marked deterioration in the loading of high profit yielding traffic over the years on different Railways was inter alia attributable to the restrictions imposed on booking of traffic on account of operational difficulties and inadequate supply of empty wagons particularly covered wagons. It is a little ironical that on the one hand the Railways are making all-out efforts to retrieve the lost traffic and to secure additional traffic on the other hand they do not pay sufficient attention to ensure that the high rated traffic was exempt from normal operational restrictions and demand for covered wagons for loading such commodities is fully met. This indicated that there is no coordination at a fairly high level in the organisation between operating commercial and marketing activities of the Railways. This situation needs to be remedied in the interest of attracting more high profit yielding traffic.

1.71. According to the findings of the Indian Institute of Management, Ahmedabad, which had studied the functioning of the Marketing and Sales Organisation on the Western Railway, the failure of Railways to attract enough of the high rated traffic in competition with truck transport can be traced to poor planning, enforcement of an unrealistic priority system, faulty pricing policies, lack of an effective selling and servicing organisation,

ineffective information system, an overall poor image of the Railways as a dependable mode of transport with customer interest as the 'heart' of the system and relegated status assigned to commercial wing of the organisation. The Institute's study has pointed out that only a small part of the high rated traffic (hardly 2.5 per cent) moved through special services like containers, QTS and the rest of it moved through ordinary system. These observations are of far reaching importance and the Committee would be interested to know what concrete action has been taken by the Railways in pursuance thereof.

1.72. The Committee note that in order to retrieve the lost traffic in high rated commodities and to secure additional traffic, Railway Board proposes to take a number of steps. But those appear to be nothing new in those steps and the Committee are therefore doubtful whether those would serve the objective in view. The Committee feel that Railways should in consultation with their marketing experts review the operational aspects so that increasingly more high profit yielding traffic is attracted to the Railways.

Tea

Audit Paragraph

1.73. The total production of tea and the quantities moved by rail were as under:

Year	Production (lakh tonnes)	Movement by rail	Percentage of column 3 to 2
1	2	3	4
1971-72	4.31	2.80	65
1972-73	4.55	1.94	42
1973-74	4.68	1.92	42
1974-75	4.93	1.98	40
1975-76	4.33	1.15	26

1.74. The major portion of traffic in tea originates on North-east Frontier Railway as Assam and North Bengal regions are the major tea produ-

cers. Traffic booked from various stations of this Railway is indicated below:

Year	Production Originating traffic (lakh tonnes)	Percentage of column 3 to 2	
1	2	3	
		4	
1968-69	3.03	1.85	61.0
1969-70	2.99	1.92	64.3
1970-71	3.19	1.65	51.7
1971-72	3.31	2.06	62.2
1972-73	3.51	1.30	37.0
1973-74	3.63	1.36	37.0
1974-75	3.83	1.46	38.0
1975-76	4.04	0.65	16.0

1.75. Tea meant for export used to be moved from stations on North-east Frontier Railway to Kandla Port by all-metre-gauge specials. As a result of normalisation of conditions of working at Calcutta Port, tea traffic to Kandla has been reduced substantially with corresponding increase in traffic to Calcutta. Consequently, the lead became shorter, but due to transshipment involved in the movement by rail at New Bongaigaon and construction of road bridge across the Ganga at Farakka, traffic was diverted to road.

The Railway Board has stated (February 1977) that station to station rates with suitable freight reduction have been introduced to combat the diversion to road and in order to minimise detention at transshipment points this traffic is moved in block-rake. These are long term measures and their effect would be known after the trade is convinced of the better facilities offered.

[Sub-paras 8.10 to 8.12 of Paragraph 8 of the Report of C.&A.G. of India for the year 1975-76, Union Government (Railways)]

1.76. It is seen from the Audit Paragraph that the percentage of the movement of tea traffic by rail to the total production of tea had come down from 65 in 1971-72 to just 26 in 1975-76. In the case of North-east Frontier Railway where a major portion of the total tea traffic originates, the drop in the percentage of rail movement is even more pronounced. In 1971-72, 62.2 per cent of the total production was being moved

by rail. This figure has come down to 16 in 1975-76. The Committee desired to know what efforts had been made by the Marketing and Sales Organisation to retain the tea traffic at the level obtained in earlier years. The Ministry of Railways have, in a note, explained:

“Tea is an originating traffic mainly on North-east Frontier Railway and to some extent on the Southern Railway. On the other Railways, this traffic is moved from various depots. The various steps taken by Northeast Frontier and Southern Railways to improve loading of tea traffic are enumerated below:

N.F. Railway

The main market for the tea produced in the areas served by N. F. Railway is Calcutta. The pattern of movement by rail from stations on N. F. Railway to Calcutta underwent a complete change with the commissioning of the Farakka barrage in December, 1971, because it provided a direct road link with Assam and Calcutta. The extent of movement by rail in 1971-72 from N. F. Railway was 2.06 lakh tonnes against the total production of 3.31 lakh tonnes. During 1970-71, the share of rail movement was 51.6 per cent which may be taken as normal prior to opening of the Farakka barrage. The high-level of movement during 1971-72 was due to large scale requisition of trucks by the Military authorities from October 1971 to January 1972 during the Indo-Pak War of 1971. It was also, to some extent, due to large scale floods and road breaches.

After the commissioning of the Farakka barrage in December 1971 and the rapid improvement in the road-serving region as also the induction of a large number of trucks, the movement by rail has gradually been coming down over the years because of the quicker door to door service as against rail, which necessitates transshipment from MG to BG, involving unavoidable operational delays and additional handling at the transshipment point.

The following steps have been taken to capture the traffic by ensuring better service to the Tea industry:—

- (i) Introduction of station to station rates with suitable freight reduction.

- (ii) Organising movement in block rakes both on MG and BG and deputing Inspectors on trains to minimise detentions en-route including transshipment points.
- (iii) Introduction of Freight Forwarders Scheme for Tea from Upper Assam, Gauhati, New Jalpaiguri to Calcutta area.
- (iv) Running of Tea Specials to MG destinations.

In addition to providing door to door service, it has almost completely eliminated claims on Tea.

Southern Railway

Traditionally the Tea on Southern Railway moves almost exclusively by road, the Railways' share being only 3.3 per cent of the total production in 1972-73. The movement by rail was limited to the export traffic which moved from stations on Nilgris to Cochin Harbour terminus. Due, however, to the extreme shortage of coal in 1972, train services had to be cancelled between Mettupalayam and Ootacamund, with the result that the movement pattern changed to road and the railways' share came down to barely 1.7 per cent in 1975-76.

Concessional rates were introduced in November 1975 and with sustained personal contacts with the planters the movement by rail has gone up from 141.4 tonnes during the period November, 1975—March 1976 to 2982.3 tonnes during the period April 1976—March 1977."

1.77. The Committee asked whether the measures taken to retrieve the tea traffic had yielded any favourable results. The Committee also desired that the achievements in this direction might be quantified. In a note, the Ministry of Railways have stated:

"Yes, measures taken to retrieve tea traffic have yielded favourable results which are quantified below:

The loading of tea on N. F. Railway in 1976-77 was 68,545 tonnes as against 65,106 tonnes in 1975-76.

To capture tea traffic, a Freight Forwarder Scheme in tea has been introduced between Tinsukia Goods and Howrah with effect from 23rd June, 1977. The response to the scheme is encouraging. 159 wagons have been under this scheme upto 15th August 1977. As a result of this scheme the loading of tea from Tinsukia Division to Calcutta area increased from 212 wagons (from April—August '76) to 360 wagons (from April—August '77). During August '77,

262 wagons were loaded for Kandla in 4 specials against only 13 wagons in August '76. Loading of tea to Coimbatore, Kanhan, and Agra (Idgah) is also picking up."

1.78. The Committee note that in 1971-72 a major portion of tea (which is one of the few selected commodities on which the Marketing and Sales Organisation keeps a watch) produced in the country moved by rail. However, over the years the percentage of the tea traffic moved by rail to the total production of tea had gradually come down from 65 in 1971-72 to 26 in 1975-76. Further, on the Northeast Frontier Railway where a major portion of the tea traffic originates, the drop in the percentage of rail movement is even more pronounced. This figure had come down to 16 in 1975-76 against the figures of 64 and 62 reached respectively in 1969-70 and 1971-72. Explaining the reasons for the drop in the percentage of rail movement of tea it has been stated that the pattern of movement by rail from stations on the Northeast Frontier Railway to Calcutta underwent a complete change with the commissioning of the Farakka barrage in December 1971, because it provided a direct road link with Assam and Calcutta.

1.79. Although some steps have been initiated by the Railways to capture the tea traffic by ensuring better service to the industry, these, in the opinion of the Committee, are not enough. They desire that the change in the pattern of tea traffic following the construction of the Farakka Barrage be considered as a challenge which has to be effectively met in the interest of Railway revenues. Both short term and long term measures will have to be contrived to recapture this vital traffic. The Committee have been informed that the Railway Board have inter alia taken the following steps—

- (i) The Freight Forwarder Schemes from the tea producing centres to the stations of destination such as Howrah have been introduced.
- (ii) Station to station rates with suitable freight reduction have been introduced to attract more traffic to the Railways.
- (iii) Personal contacts with the planters are being intensified with a view to popularise the new schemes being introduced for the quick transportation of tea by rail.

The Committee will watch with interest the results achieved in this field.

Rubber Tyres and Tubes

Audit Paragraph.

1.80. Eastern Railway serves two major rubber tyres and tubes industries. Besides, there are several other small units served by this Railway.

There has been fluctuation in the traffic handled on this Railway as indicated below:

Year	Originating traffic (thousand tonnes)
1969-70	33.44
1970-71	25.62
1971-72	26.17
1972-73	20.51
1973-74	34.81
1974-75	23.73
1975-76	25.41

The Railway Board stated (February 1977) that this region passed through worst of the time during 1970-71 to 1973-74; the forces of law and order were on the retreat; bundhs, go-slow, etc., were the order of the day. The capital was shy, the productivity low and the industries were languishing. The Railways' operation in the eastern sector was also adversely affected by the factors beyond the control of the Railway.

1.81. The Eastern Railway Administration promised to one of the tyre industries as early as March 1969 to supply adequate empties free from defects, to curtail transit time and avoid delays in issuing railway receipts, etc. A review of the position indicated that rejection of empties due to their being unfit for loading was generally on the high side, ranging between 15.35 per cent and 41.5 per cent during the period 1969-70 to 1972-73 as against 18.76 per cent during 1968-69. Against 1,654 wagons supplied during 1975-76, the number of wagons rejected as unfit was 257 or about 15.5 per cent. The wagons booked from the Siding of rubber tyre industry in Sealdah area were taking 20 to 25 days to reach Bombay. These wagons were required to be attached regularly to super express goods trains at Howrah and Shalimar but they were invariably hauled by ordinary goods trains.

[Sub-para 8.13 and 8.14 of Paragraph 8 of the Report of C.&A.G. of India for the year 1975-76, Union Government (Railways)]

1.82. The Audit para indicates that the originating traffic in Rubber tyres and tubes during the year 1973-74 reached the figure of 34.81 thousand tonnes but in the next two years recorded appreciable falls. It slumped

down to 25.41 thousand tonnes in 1975-76. It is also seen from the Audit Paragraphs that despite an assurance given in 1969 by the Eastern Railway Administration to one of the tyre industries that adequate empties free from defects would be made available, the rejection of empties due to their being unfit for loading was generally on the high side. Asked about the reasons for this, the Ministry of Railways, in a note, have stated:

"It is clarified that assurance given in March 1969 was kept up by supplying more empties than indented so that even after rejection of some wagons as unfit, the demand was met in full.

This can be seen from the following statement:

Year	No. of wagons indented	No. of wagons loaded
1969-70	2878	2878
1970-71	2045	2045
1971-72	1857	1857
1972-73	1327	1327
1973-74	1387	1387
1974-75	1430	1430
1975-76	1704	1704
1976-77	2187	2187

1.83. From the statistics given in the above table it could be inferred that the total demand for wagons had been met by the Railway Administration in full and that there was no sick wagon. In this connection the Member, Traffic, stated:

"I am not suggesting that we look case to ensure that the total number of wagons supplied was sufficiently in excess of the indent, so that we may meet the demand in full."

1.84. Asked about the percentage of sick wagons during the years 1971-72 to 1976-77, the witness furnished the following figures yearwise:

1971-72	28.61%
1972-73	41%
1973-74	16%
1974-75	7%
1975-76	17%
1976-77	14.8%

1.85. The Committee desired to know what was the number of wagons actually supplied during 1976-77, the number of wagons rejected as unfit and the percentage of rejected to the total number of wagons supplied during the year. The Ministry of Railways have stated:

“The number of wagons supplied during 1976-77 was 2649 and the number rejected was 386. The percentage of rejected wagons to the total number of wagons supplied was 14.5 per cent. However, the demand for wagons during the year was met in full despite rejection of some wagons.”

1.86. Asked whether it was a fact that sometimes wagons were met sick but they were made sick for obvious reasons, the Chairman, Railway Board stated:

“Whenever such cases come to our notice, we send Vigilance Organisation to check it up whether there is any malpractice. In case of malpractice we take necessary action.”

1.87. The Committee note that the originating traffic in Rubber tyres and tubes on the Eastern Railway had reached the figure of 34.81 thousand tonnes in 1973-74. But this figure slumped down to 25.41 thousand tonnes in 1975-76. Although the reasons for the variation in the originating traffic have been attributed to several factors which adversely affected the Eastern Railway's operation, the Committee note that there were certain other avoidable factors which had an impact on the fluctuations in the originating traffic of Rubber tyres and tubes. These included inadequate supply of empties free from defects, longer transit time and delays in issue of Railway receipts. The Committee see no reason why these largely controllable factors were allowed to have an adverse effect on the originating traffic of tyres and tubes. The Railway Board should work out a plan to ensure that (i) the empties supplied are free from defects, (ii) the transit time of the wagons booked from the sidings of the rubber tyre industry in Sealdah area for Bombay is reduced to the minimum and (iii) there is no avoidable delay in issue of railway receipts. The Committee would like to be apprised of the action taken in this behalf.

Carpet

Audit Paragraph.

1.88. Woollen carpets are manufactured in and around Bhadohi in Uttar Pradesh. The traffic which is mainly for export is booked from Bhadohi station of Northern Railway to Bombay and Howrah from where it is shipped. In these cases the transit time is of utmost importance as the carpets are generally offered for carriage by rail 10 to 15 days in advance

of the date of sailing. According to Railways' own assessment the traffic carried by rail during 1971-72 to 1974-75 were:

Year	Movement: by rail (thousand quintals)	(lakhs of rupees)
1971-72	16.11	1.95
1972-73	46.66	4.68
1973-74	28.66	3.30
1974-75	13.67	1.95
1975-76	11.69	1.60

1.89. The decline in traffic was attributed by the Marketing and Sales Superintendent, Northern Railway, to transit delay and consequent diversion of traffic to road. With a view to cutting down transit delays, the Northern Railway Administration decided in 1971-72 to attach wagons loaded with this traffic to passenger trains. In consequence the traffic increased during 1972-73. However, in April 1973, due to 'operational reasons' the Administration reverted to the old system of despatching wagons by work trains upto Mughalsarai. The running of the trains was extremely irregular and involved a transit time of 6.45 hours (for a distance of 45 kms.). This step resulted in decline of traffic as indicated in the table above.

The Railway Board stated (February 1977) that the earlier system of carrying this traffic by passenger train had to be given up as this was operationally not feasible. Further, the production of raw wool in Rajasthan dropped during the years 1973-74 and 1974-75 and this affected the manufacture of carpets at Bhadohi. It further stated that the Railways evolved other movement patterns to ensure expeditious clearance of this traffic to ports; the transit delays had been cut down and the carpet traffic in wagon loads was moving expeditiously.

[Sub-para 8.15 and 8.16 of paragraph 8 of the Report of C.&A.G. of India for the year 1975-76, Union Government Railways]

1.90. Explaining the reasons for the decline in the carpet traffic moving from Bhadohi, the Railway Board have stated that the Railways had evolved other movement patterns to ensure expeditious clearance of this traffic to ports and that the transit delays had been cut down and the carpet traffic in wagon-loads was moving expeditiously. The Committee desired to know what was the "other movement patterns" evolved by the

Railways to ensure expeditiously clearance of carpet traffic to ports and whether there had been an improvement in the loadings of carpets from Bhadohi as a result of such steps taken by the Railways. In a note, it has been stated:

"For the expeditious clearance of carpet traffic from Bhadohi, various experiments were tried in the past. One of these was to attach Q.T.S. wagons Ex. Bhadohi by 2 VL Varanasi—Lucknow passenger. On arrival at Varanasi, the wagons were transferred from the coaching yard to the goods yard from where these were attached to a through goods train, for onwards despatch to Mughalsarai to connect the Super Express goods to Howrah. However, due to the late running of this passenger train, the wagons reached Mughalsarai late missing the connection with the Super Express. Hence it was decided to despatch wagons by L4 goods train. The operations of L4 Down goods at Bhadohi were streamlined in such a way that its lie over at Bhadohi was cut down from 6 hours 55 mts. to 3 hours and the transit time is reduced by 12 hrs. This has resulted in improvement in the loading of carpets from Bhadohi from 11.69 thousand quintals in 1975-76 to 16.12 thousand quintals in 1976-77 with the corresponding increase in earnings from Rs. 1.60 lakhs to Rs. 2.82 lakhs."

1.91. While pointing out that the loadings of carpets achieved during 1975-76 and 1976-77 were much less as compared to the figures of 1972-73 and 1973-74, the Committee asked what further measures were proposed to be taken to recapture the traffic. The Ministry of Railways have in a note, stated:

"The traffic in carpets ex. Bhadohi was mainly export-oriented through Calcutta Port. This had been progressively coming down with increasing competition from Pakistan and Iran in the World markets. Despite all-out efforts by personalised contacts, it has not been possible to recapture this traffic merely because their main requirements is expeditious guaranteed movement so as to connect ships at short notice. The railways cannot compete with the road hauliers in this respect because the transit time by road is barely one day from Bhadohi, whereas by rail the movement has necessarily to be circuitous necessitating unavoidable delays enroute as Bhadohi is located on a Branch line."

1.92. The Committee are unhappy to find that the Railway Administration has almost given up in despair the efforts being made by them for recapturing the traffic in carpets ex-Bhadohi mainly because of the Rail-

way's inability to reduce transit delays and thereby be able to compete with the road hauliers. It is noted that the Railway Administration has been experimenting with different alternatives to regain the lost traffic and have had some limited success also. The Committee are, however, not impressed by the argument that the earlier system of carrying this traffic by passenger train had to be given up as this was operationally not feasible. They are of the opinion that the movement of the high rated traffic which is sine qua non for augmentation of Railway earnings should, as far as possible, be exempt from the operational restrictions. The Committee trust that more concerted efforts would be made to devise means for providing a more customer-oriented service for the transportation of the carpet traffic.

Raw Wool

Audit Paragraph.

1.93. The raw material for woollen carpets is obtained by the manufacturers of Bhadohi from a woollen mill at Bhagat-ki-kothi (Rajasthan). The Northern Railway Administration introduced a scheme of "guaranteed clearance of small traffic" in September 1969 according to which this guaranteed traffic was required to be cleared by quick transit service. As the delays in transit could not be curtailed and traffic started diverting to road, the Railway Administration decided in May 1972 to despatch such consignments via Ratangarh, Delhi Sarai Rohilla, Kanpur and Janghai. Even then transit delays were not curtailed and almost the entire traffic had been lost to the Railways as indicated below:

Year	Production (quintals)	Despatch by rail (quintals)	Percentage of collection 2 to 2
1	2	3	4
1973-74	7,123	3,460	49
1974-75	6,537	2,490	37
1975-76	4,712	232	5

The earnings from this traffic in 1969-70 was Rs. 95,323 and in 1975-76 it dropped to Rs. 7,170.

It has been stated by the Railway Board (February 1977) that this diversion has been due to trade's interest in speedier transit to the consuming centres than what is possible by rail.

1.94. The Audit Paragraph points out that the diversion of the traffic of raw wool had been due to trade interest in speedier transit to the consuming centres than what was possible by rail. Asked why could not Railways curtail the delays in transit and ensure speedier traffic with a view to retaining this high freight yielding traffic, the Member Traffic stated during evidence: "It is just not possible."

Explaining the position subsequently, the Ministry of Railways have, in a note, stated:

"Raw wool moves from Bhagat-Ki-Kothi, a station on the metre gauge on Jodhpur Division to Bhadohi a station on broad gauge of Allahabad Division of Northern Railway. Attempts were made from time to time to reduce the transit time, but it has not been possible for the Railways to compete with road transport.

There are two routes from Bhagat-Ki-Kothi to Bhadohi. One is *via* Delhi Sarai Rohilla and the other is *via* Agra-East-Bank. *Via* Delhi Sarai Rohilla wagons encounter the metre gauge marshalling yards at Ratangarh and Rewari, then the transshipment point at Delhi Sarai Rohilla and thereafter the marshalling yards at Tughlakabad and Juhi (Kanpur). *Via* the Agra East Bank route, the wagons encounter the MG marshalling yards at Marwar, and Phulera, thereafter the transshipment point at Agra East Bank and then two broad gauge marshalling yards at Tundla and Juhi. Whenever a wagon passes through a marshalling yard or is required to be transhipped at a break of gauge transshipment point, it necessarily suffers detention of at least 1 to 2 days. Hence, it is not possible to compete with the Road transport in transit time because by road it takes only about 5 days."

1.95. The Committee note that in 1973-74, about 49 per cent of the total production of wool produced in Rajasthan was moving by rail towards Bhadohi for manufacture of woollen carpets. This traffic has continuously gone down with the result that in 1975-76 only 5 per cent of the total traffic moved by rail as against 4 per cent in 1973-74. The reasons for this steep fall in the wool traffic from 49 per cent in 1973-74 to 5 per cent in 1975-76 need to be carefully analysed with a view to taking necessary remedial measures. In this connection, it has been pleaded that the rail routes from Bagat-Ki-Kothi (the point of origin) to Bhadohi (destination), encounter some transshipment points en route and hence the wagons suffer detention of at least 1 to 2 days. The Committee would like the Railways to examine whether the wool wagons cannot be cleared at the transshipment

points on a priority basis so that their transit time is reduced. Other effective measures are also needed for retrieval of the lost traffic in wool.

Cotton raw (pressed and unpressed)

Audit Paragraph

1.96. The production of cotton raw (pressed and unpressed) and the quantities moved by rail during 1969-70 to 1975-76 were as under:

Year	Cotton raw (million bales)	Production (million tonnes)£	Cotton pressed and un- pressed Movement by rail (million tonnes)	Percentage of column 4 to 3
1	2	3	4	5
1969-70	5.57	0.947	0.443	46.8
1970-71	4.76	0.809	0.376	46.5
1971-72	6.95	1.182	0.443	37.5
1972-73	5.74	0.976	0.407	41.7
1973-74	6.31	1.073	0.447	41.7
1974-75	7.08	1.204	0.340	28.3
1975-76	N.A.	N.A.	0.382	N.A.

The major portion of this traffic originates from Northern Railway, followed by Western and Central Railways. On Northern Railway the traffic had been increasing from year to year since 1972-73 and rose from 0.099 million tonne in 1971-72 to 0.16 million tonne in 1975-76.

The loading on Western Railway declined from 0.16 million tonne in 1971-72 to 0.044 million tonne in 1975-76. The production in the areas served by Western Railway in Gujarat and the loading figures are given below:—

Year	Production		Loading (million tonnes):	Percentage of column 4 to 3:
	(bales)	tonnes)£		
1	2	3	5	6
1971-72	29,58,765	0.503	0.163	32.4
1972-73	18,32,249	0.311	0.163	52.4
1973-74	19,98,704	0.341	0.118	34.6
1974-75	17,40,173	0.296	0.097	32.8
1975-76	17,20,291	0.292	0.044	15.1

£Conversion based on 1 bale-176 kgs.

On Central Railway the traffic declined from 0.07 million tonne in 1971-72 to 0.062 million tonne in 1974-75. The Central Railway Administration became aware in April 1974 that a textile mill in Kerala was receiving ten thousand bales of full-pressed cotton every year from Bombay by road. Further, it was known (April 1975) that certain mills in Coimbatore were receiving six to seven lakh bales of fully pressed cotton every year from Maharashtra, Madhya Pradesh and Gujarat Mostly by road because of quicker transport and door to door delivery, though road transport was costlier than rail transport.

[Sub-para 8.18 of Paragraph 8 of the Report of the C.&A.G. of India for the year 1975-76, Union Government (Railways)]

1.97. It is seen from the Audit Paragraph that the rail movement of cotton bales on Western Railway declined from 52.4 per cent of the production of cotton in 1972-73 to 15.1 per cent of the production of cotton. The Committee enquired whether the reasons for the sharp decline in rail movement had been analysed and if so, what was the position during 1976-77. The Ministry of Railways have, in a note, stated:

“The Railway Board have analysed the reasons for the sharp decline in rail movement of cotton bales on Western Railway.

The main reasons are given below:—

- (i) Production of cotton had dropped;
- (ii) There being a ceiling limit on the holding of cotton bales by mills, movement of cotton bales had come down;
- (iii) Because of wide fluctuations in the price of cotton and credit squeeze, road transporters were preferred by consignors;
- (iv) Bulk of cotton is produced within a radius of 300 kms from Ahmedabad, the largest cotton consuming centre of India, and naturally it moves to Ahmedabad by road from the area.

However, marketing effort has improved the railways' share. The percentage of rail movement has doubled to 31.6 per cent as compared to 15.1 per cent 1975-76.”

1.98. It has been stated that the marketing efforts have improved the Railways' share of movement of cotton (pressed and unpressed) on the Western Railway and the percentage of rail movement had doubled to 31.6 per cent during 1976-77 as compared to 15.1 per cent during 1975-76. The Committee pointed out that during the years 1971-72 to 1974-75 the percentage of rail movement ranged between 32.4 and 52.4 and asked what measures were being taken by the Marketing and Sales Organisation to recapture the lost traffic. The Ministry of Railways have, in a note, stated:

"The following measures are being taken by the Marketing and Sales Organisation of Western Railway to recapture cotton traffic:—

- (i) **Aggressive canvassing through personalised approach and by holding meetings with cotton trade well before commencement of the cotton season.**
- (ii) **Setting up of special cotton Information Centres at important cotton booking stations to render necessary assistance to the trade.**
- (iii) **Arrangements at certain transshipment points for quick transshipment.**
- (iv) **Keeping necessary stock ready at the originating stations in anticipation of traffic.**
- (iv) **Adjustments in the Metre Gauge and Narrow Gauge weight conditions to ensure that the contents of 2MG/3NG wagons could be transhipped in one Broad Gauge wagon.**
- (vi) **A close watch on the day to day traffic offering and its clearance by prompt supply of wagons.**
- (vii) **Quoting of special station-to-station reduced rates for cotton between selected stations."**

1.99. Explaining the reasons for sharp decline in rail movement of cotton bales in Western Railway, it has been stated that there has been a ceiling limit on the holding of cotton bales by mills, wide fluctuation in price of cotton and credit squeeze. It has also been stated that road transporters were preferred by the consignors. In this context the Committee desired to know (a) whether these factors had undergone a change during 1976-77; and (b) how did the Railway explain the decline in the loading during 1975-76 when the production was higher than in 1976-77. The Ministry of Railways have stated:

- "(a) Even though the factors mentioned in the question had not undergone any material change during 1976-77, special steps had a salutary effect in getting more traffic. Besides during 1976-77 there was substantial imported traffic of Egyptian cotton via Bhavanagar Port, which was captured by Marketing & Sales Organisation by personal contacts with the State Trading Corporation authorities. A number of other factors responsible for steep drop in 1975-76 as enumerated under para (b) below were also absent during 1976-77.**

- (b) The reasons for decline in loading during 1975-76 when the production was higher than that in 1976-77 are given below:—
- (i) wash-out of bridge between Safala and Vaitarna on B. G. main line in 1975-76;
 - (ii) cyclonic storm accompanied by heavy rains in Saurashtra area, which completely disrupted rail communication on Rajkot and Bhavanagar Divisions, serving the cotton producing areas of Saurashtra;
 - (iii) Widespread breaches on Ajmer Division, Mehsana area of Rajkot Division and Ahmedabad—Dhanduka section of Bhavanagar Division in September due to heavy rains;
 - (iv) agitations in the context of the State Assembly elections in Gujarat during 1975;
 - (v) quality of cotton grown in Gujarat was badly affected due to unfavourable monsoon conditions and shortage of pesticides. Impact of bad quality cotton was felt on market prices and market demand for cotton;
 - (vi) declaration of National Emergency in June, 1975 followed by credit curbs, disclosure of hidden income and severe impact on the industrial and commercial activities."

1.100. The Committee enquired what action was taken by the Central Railway Administration to capture the traffic of full pressed cotton and what was the result thereof. The Committee also wanted to know the role of the Marketing and Sales Organisation in retaining this traffic on Central Railway, the Ministry of Railways have stated:

"The following action has been taken by Central Railway to capture cotton traffic:—

- (i) Marketing Inspectors on Nagpur and Bhusaval Divisions of the Railway are keeping a special watch on this traffic. These Inspectors meet the trade and important consignees like the Maharashtra State Cooperative Marketing Federation, which is the agency for procurement of cotton in Maharashtra State.
- (ii) Special station-to-station rates to stations in Bombay and Ahmedabad areas have been quoted.
- (iii) Cotton wagons are cleared by special trains like the "Cotton King".
- (iv) At the headquarters level, liaison is maintained with the Maharashtra State Cooperative Marketing Federation, the National Textile Corporation and Cotton Corporation of India.
- (v) Special watch is kept on the movement of cotton wagons.

In spite of poor crop in 1976-77 to the extent of 50 per cent in some of the cotton growing areas, the movement in 1976-77 was of the order of 54000 tonnes as against 46000 tonnes in 1974-75. The monopoly procurement scheme in Maharashtra has been suspended this year. The prospects of offering of cotton traffic for movement by rail when the season starts in November are expected to be encouraging."

1.101. The figures regarding production of cotton raw (pressed and unpressed) and the quantities moved by rail during 1969-70 to 1975-76, as given in the Audit Paragraph, clearly reveal that the Railways are generally losing ground to the road transport. Whereas the cotton traffic handled by the Northern Railway showed an increase over the years, the traffic originating in Western and Central Railways indicated a marked tendency towards decrease. The loading on the Western Railway declined from 52 per cent of the total production in 1972-73 to only 15 per cent in 1975-76. Similarly, the traffic declined on the Central Railway over the years. One of the factors responsible for decline in loading of cotton bales in the Western Railway has been stated to be, the declaration of National Emergency in June, 1975 followed by credit curbs, disclosure of hidden income and its consequent impact on the commercial and industrial activities. The Committee are unable to appreciate this explanation because during the same period on the Northern Railway, there was increase. The Committee feel that this sharp decline in the loading figures should have led the Railways to make a systematic analysis of the reasons for the decline and the remedial steps necessary to be taken.

1.102. The Committee were surprised to learn that even though the road transport was costlier than rail transport, six to seven lakhs bales of fully pressed cotton were moving every year from Maharashtra, Madhya Pradesh and Gujarat to certain mills in Coimbatore mostly by roads because of the quicker transport and door to door delivery. Some steps are stated to have been taken to capture this traffic but they appear to be the routine steps such as keeping a special watch, quoting of special station to station rates, liaison with the concerned organisations/undertakings. The Committee are not satisfied with what the Railway Board have done. They would like to know whether the Railway Board had carried out any in-depth study to find out the precise reasons for the fall in the quantum of cotton traffic carried by the Railways. The Committee feel that such a study is essential for taking remedial steps for recapturing the traffic and for increasing the share of Railways in this traffic.

Tobacco

Audit Paragraph

1.103. On Southern Railway, tobacco tendered for despatch by rail are moved to various destinations. The quantities booked along with

corresponding quantities produced are given below for the years 1971-72 to 1975-76:—

Year	Tobacco produced (tonnes)	Tobacco booked by rail (tonnes)	Percentage column 3 to 2
1	2	3	4
1971-72	35,000	962	2.75
1972-73	22,000	1014	4.6
1973-74	42,000	526	1.25
1974-75	52,800	240	0.47
1975-76	N.A.	326	N.A.

Of the total quantity of tobacco produced in the area served by the Southern Railway, only a small percentage is moved by the Railway.

1.104. On South Central Railway, the Railway's share of traffic of Flue-cured Virginia tobacco, which is exported, was maintained, even though production had come down. The production figures and the quantity transported by rail were as follows:

Year	Production (lakhs tonnes)	Rail movement (lakhs tonnes)	Percentage of column 3 to 2
1	2	3	4
1973-74	1.56	0.34	21.7
1974-75	0.95	0.31	32.6
1975-76	0.88	0.26	29.6

[Sub-para 8.19 and 8.20 of paragraph 8 of the Report of the C.&A.G. of India for the year 1975-76, Union Government (Railways)]

1.105. The Committee find that of the total quantity of tobacco produced in the area served by the Southern Railway only a small percentage was being moved by the Railway. In 1972-73, 4.6 per cent of the tobacco produced in the area was transported by rail. This figure had come down to just 0.47 per cent in 1974-75. In the case of South Central Railway, however, the Railways' share of traffic of Fluecured Virginia Tobacco has been maintained over the years. The Committee would like the Southern Railway to find out the reasons for the diversion of the tobacco traffic to the roads and to take such remedial measures as may be considered necessary to retrieve the lost traffic.

Gunny bags

Audit Paragraph

1.106. Gunny bags are an item of high rated traffic. Due to restrictions on booking of traffic and other difficulties on Eastern Railway, the Gorakhpur Unit of Fertiliser Corporation of India had been getting its requirements of gunny bags from Calcutta mostly by road. During 1974 as against 33.6 lakh bags moved by road, only 3.3 lakh bags moved by rail.

The Railway Board stated (February, 1977) that the Fertiliser Corporation of India was contacted and assured of better service and that it had advised its dealers in July, 1975 to make despatches only by rail. The despatches from Howrah had increased markedly in 1975-76 over 1974-75.

[Sub-para 8.21 of Paragraph 8 of the Report of C.&A.G. of India for the year 1975-76, Union Government (Railways)].

1.107. The Committee note that as a result of the measures taken by the Railways such as contacting the Fertiliser Corporation of India and assuring them of better service, the rail movement of gunny bags had picked up. This goes to demonstrate that with proper care the Railways can influence the customers and attract more traffic to the Railways. The Committee desire that this should be followed up.

Freight forwarder scheme

Audit Paragraph

1.108. Under this scheme, introduced in 1969, approved freight forwarders collect and deliver consignments from to the godown of the individual traders at the forwarding and destination stations in "smalls" and offer them for transportation by rail between specified terminals in wagon loads. Such traffic is generally carried in conventional wagons or containers by nominated quick transit service or express and super express

goods trains. The number of pairs of points between which the freight forwarder scheme was available during 1971-72 to 1975-76 and the number of wagons loaded and freight earned are mentioned in the table below:

Year	Number of pairs of points having the scheme.	Number of wagons loaded under the scheme.	Freight earned under the scheme (lakhs of rupees)
1	2	3	4
1971-72	15	4,539	124
1972-73	31	8,964	243
1973-74	54	15,414	398
1974-75	67	12,872	387
1975-76	67	12,491	418

There had been a drop in the loading of wagons on all Railways during 1974-75 and 1975-76 mainly due to (a) imposition of restrictions in booking, (b) stiff road competition and (c) steep increase in lump sum freight charges fixed for the freight forwarder due to revision in tariffs with effect from 15th September, 1974.

1.109. In the case of two Railways the points noticed are mentioned below:—

The North Eastern Railway Administration sanctioned the scheme in August, 1972 between Kanpur and Gorakhpur and in September, 1973 between Kanpur and New Gauhati. The Marketing and sales Superintendent informed the Railway Board in November, 1973 that the freight forwarder appointed for the service between Kanpur and Gorakhpur did not offer any traffic due to octroi difficulties at Kanpur. At the instance of the Railway Administration, the Nagar Mahapalika, Kanpur, agreed in September, 1973 to exempt the traffic offered by the freight forwarder from Octroi duty. The scheme, however, did not fructify even thereafter as the lead was short and there were overnight road services between these points. As many as six freight forwarders were appointed by the Railway Administration but no traffic was offered by them.

The scheme, sanctioned in 1973, between Kanpur and Gauhati was introduced in February, 1976; traffic of six wagon loads only was offered by the freight forwarder up to June, 1976.

On the Western Railway, though three freight forwarders were appointed in December, 1973 mainly for piece goods traffic moving from Ahmedabad to Bangalore, no traffic was offered due to excessive transit time by rail as compared to road services. On the Vadodara Junction—Shalimar route, main traffic by road is baby food. The transit time by road was 5 to 7 days against 15 to 20 days taken by the railways. In April, 1974 three freight forwarders were appointed to offer baby food traffic to the Railways. For curtailing the transit time by rail it was proposed to attach wagons from Vadodara Junction to the then existing Kankaria—Salimar quick transit service. The scheme was withdrawn in September, 1974 as there was no report of traffic from Vadodara. The scheme was reintroduced from August, 1975 when it transpired that one of the freight forwarders had in fact given traffic during July-August, 1974 to the extent of one wagon every alternate day.

The Railway Board stated (February 1977) that it would be worth mentioning that the freight forwarder service introduced by the Western Railway between Carnac Bridge Ghaziabad/New Delhi proved extremely popular with the trade as, against the loading of 94 wagons in 1971-72, 469 wagons were loaded in 1975-76.

[Sub-paras 8.22 and 8.23 of paragraph 8 of the Report of C.&A.G. of India for the year 1975-76, Union Government (Railways)].

1.110. The Committee enquired what were the circumstances under which the scheme was introduced. In a note, the Ministry of Railways have stated:

“The freight forwarder scheme is a form of intermodal service, combining the advantages of rail and road transport. The aim of the scheme is to cater mainly to ‘smalls’ traffic bulked into wagon loads, to attract additional traffic to rail and retain rail-borne traffic which tends to move away from rail to other modes of transport. The Railways secure the following advantages from this system:

- (i) Elimination of handling of ‘smalls’ consignments at booking and destination stations.
- (ii) Elimination of repacking of the consignments at intermediate points enroute.
- (iii) Securing better pay load and turn round for wagons.”

1.111. Asked whether the freight forwarded scheme had been reviewed as suggested by the Public Accounts Committee in their 45th Report (5th Lok Sabha), the Ministry of Railways in a note have stated:

"The Freight Forwarder Scheme for goods traffic was introduced in 1969 in order to cater mainly to "Smalls" traffic bulked into wagon loads, which tends to move away from rail to other modes of transport. The scheme has gained wide popularity among the trade and industry. A close watch is kept on the operation of the services by the Marketing and Sales Organisation. The extension of the services under the scheme, the total number of wagons loaded under this scheme and the freight earned therefrom would serve as indicators of the success of the operation of the scheme:

Year	No. of services	No. of wagons loaded	Freight earned (Rs. in lacs)
1969-70	2	496	12.32
1970-71	2	2315	60.23
1971-72	15	4539	123.55
1972-73	31	8964	243.40
1973-74	54	15414	397.97
1974-75	67	12872	386.68
1975-76	67	12491	418.03
1976-77	67	19897	652.14

1.112. Referring to the Freight Forwarder Scheme, the Member Traffic stated in evidence:

"Each Railway has the power to recognise freight forwarders based on their potential. They are basically road operators who come to us and to whom freight forwarding is a peripheral activity. They have already road infrastructure and if our rates quoted are not sufficiently competitive, they move the traffic by road; they are basically road operators whom we reduce to avail of this opportunity. They do big tasks. They lump all the small consignments, bring them to the railway and load them; they do not give us botheration of issuing hundred railway receipts; it is just one receipt. They take it to the other end."

1.113. The table below gives details regarding the number of Freight Forwarders working on each Zonal Railway during the period from 1971-72 to 1976-77, the number of Freight Forwarders dropped each year and the number of Freight Forwarders who gave no business.

Railway	Description.	71-72	72-73	73-74	74-75	75-76	76-7.
1	2	3	4	5	6	7	8
Central	A	9	16	21	28	20	19
	B	..	..	2	2	10	4
	C	..	..	2	2	10	4
Eastern	A	6	13	24	25	11	10
	B	..	..	..	5	15	3
	C	..	..	..	..	..	..
Northern	A	15	19	29	22	23	26
	B	..	..	9	1	2	7
	C	14	15	12	12	11	12
N. E.	A	..	..	2	3	7	8
	B	..	..	..	..	..	..
	C	..	..	..	3	6	8
N. F.	A	..	..	4	..	8	15
	B	..	..	4	..	..	..
	C	..	..	4	..	..	..
Southern	A	13	17	25	27	28	32
	B	11	2	4	1	3	3
	C	11	2	4	1	3	3
S. C.	A	..	6	7	9	10	14
	B	..	..	..	..	..	..
	C	..	3	4	6	10	12
S. E.	A	18	42	40	38	23	32
	B	9	6	12	9	5	5
	C	9	6	12	9	5	5
Western	A	2	8	17	21	21	18
	B	..	..	..	5	9	4
	C	..	..	3	9	13	4

NOTE : A—No. of Freight Forwarders working (as on last day of year)

B—No. of Freight Forwarders dropped.

C—No. of Freight forwarders who gave no business."

1.114. The freight earned during 1974-75, 1975-76 and 1976-77 in respect of the 67 pairs of points which were having freight forwarder scheme are given below:

Year	Freight earned under the scheme (lakhs of rupees)
1974-75	387
1975-76	418
1976-77	609

1.115. The Committee desired to know what measures had been taken to improve the working of this scheme. In a note furnished by Ministry of Railways it has been stated:

“Measures taken to improve the working of the freight forwarder scheme include the following:

1. Grant of the facility of ‘freight to pay’ to important Freight Forwarders.
2. Suitable adjustment of rates in cases where stiff road competition warranted such action.
3. Liberalisation of the rule relating to grant of rebate of freight so as to offer better incentive for promoting traffic.
4. Exemption from payment of wagon registration fee.
5. Normal operating restrictions on the booking of wagon load traffic do not apply to freight forwarders, excepting those specifically imposed in respect of ‘smalls.’

It may also be mentioned that one of the main irritants in developing the traffic is that whereas the freight forwarder has to pay octroi duty the road haulier escapes it as invariably godowns are situated outside the octroi area. The matter has been taken up with local authorities with a view to helping the Freight Forwarders in this regard.”

1.116. The Committee enquired how was it ensured that the normal traffic in wagon loads (which would have come to the Railways in any case) was not offered by the Freight Forwarders thereby gaining an advantage in the rates. The Ministry of Railways, have in a note, stated:

“Under extant instructions, the Railways are required to keep a constant watch on the traffic booked by the Freight Forwarders *vis-a-vis* the traffic booked by the Railways themselves.

For this purpose, an analysis is made of the route-wise originating traffic offered by Freight Forwarders as compared to the traffic booked by the Railways in the categories of high profit yielding commodities and 'other general goods', during the period under review and in the corresponding period of previous year."

1.117. Asked whether it had ever been examined whether the freight forwarders were channelising the same custom which the Railway had been getting without them or they were bringing new custom, the Member Traffic has stated:

"That is a matter of constant review and study. We watch the consignment to make sure that they are not diverting the traffic that is normally carried by the Railways."

He added:

"There is really no diversion. Practically all of it is traffic which would otherwise have gone by road."

1.118. Clarifying the position, the Chairman, Railway Board stated:

"Not only regular checks by the commercial side, but we have made some vigilance checks. We have not been able to find out any irregularity or diversion of the regular traffic through freight forwarders. We presume, therefore, that this is an additional traffic—in addition to what would have come through normal channel."

1.119. Asked about the extra facilities provided to the freight forwarders, the Member Traffic explained:

"We quote a lumpsum rate in their case, not according to commodities. In the case of anybody else it depends on the commodity; each commodity has a different rate. But in the case of freight forwarders, it is a lumpsum rate quoted from point 'A' to point 'B'. We make a careful study of what is moving and arrive at a figure which we consider should be attractive."

The Chairman, Railway Board added:

"There is guaranteed supply of wagon. They have a rate which is not a very high rate or low rate; it is something *via-media* so that they have a mix. All freight forwarder wagons are monitored as Quick Transit Service."

1.120. The Committee desired to know whether any Study of the economics of the Freight Forwarder Scheme had been undertaken and if so what were the results of such an analysis. In a note on the subject, the Ministry of Railways have stated:

“When a Freight Forwarder Scheme is introduced on a route, no capital investment or expenditure is incurred. The Railways fix lumpsum rates for freight forwarders keeping in view the cost of haulage, the average earnings per wagon between the pairs of points, road rates etc. The Railways also have instructions to review the rates periodically in order to increase the rates; if possible. The services are continued/extended or discontinued depending upon the performance of the freight forwarders who are given necessary incentive by way of rebate in rates according to the number of wagons loaded by them. Further, the traffic from freight forwarders is all additional traffic. In view of this no separate study to evaluate the economics of this scheme has been considered necessary. However, studies have been conducted from time to time to check whether there is any diversion of ‘General Goods’ traffic or/and high profit yielding traffic to Freight Forwarder to ensure that whatever traffic is carried by Freight Forwarders is additional traffic. Generally the studies have shown that there is no diversion.”

1.121. In reply to a question as to how the economic of lumpsum rate was worked out, the Member Traffic stated:

“We get an approximate idea of what they would move and we quote a rate which is neither the ‘smalls’ rate nor the wagon-load rate. We quote a rate which would be attractive enough for them to leave the road and come to us.”

1.122. The Committee desired to know whether the Railways were aware that big business and industrial houses were developing road transport on ownership basis and if so whether efforts had been made to dissuade these big business houses from having their own road transport system and to encourage them to patronise the railways. The Member Traffic stated in evidence:

“We are aware that there are companies which are setting up their own transport organisations by patronising and commissioning some people. Even companies like India Tobacco are doing it. We discussed this at the highest level. They said that if we can give them this facility, they would give us the traffic. At 3.00 O’clock in the evening the Branch Manager, Madras wants to send material equivalent of 8 tonnes to Bangalore and he wants that to reach there next day morning. I just cannot

give them this service. We have got the container service for tobacco companies, but that takes more time. Every road operator has got a man waiting in the selected customers' offices to take orders in the evening to transport the goods from there to the other place next morning. We cannot stop such traffic going to the road, but we are constantly trying to see how we can come as near to them as possible. We are aggressively attacking the problems where we can, but as I said, there are limitations for us."

1.123. The Audit Para mention that it has noticed in a road survey of September, 1975 conducted by the South Eastern Railway that some of the freight forwarders carried traffic by road. Asked to clarify as to how the freight forwarders transported the traffic by road to Madras instead of offering it to the Railways, the Ministry of Railways, in a note, have stated:

"The freight forwarders are not agents of the Railways and their status is that of consignors, who help Railways by collecting smalls from various traders/producers and offer them as wagon loads. They are actually road operators and freight forwarding is a peripheral activity. Therefore, once they become freight forwarders, they continue their activities as ordinary road operators. They offer traffic to rail only when it is worthwhile and there is no contract binding them to offer their traffic only to the Railways. The establishment of freight forwarders services *ipse facto*, does not result in diversion of traffic from road to rail. The Railways, on their part, while offering the lumpsum rate to the Freight Forwarders, have to keep in view the cost of rail transport also. Even if such rates are found to be attractive enough from the point of view of the overall godown to godown transport cost of the parties offering traffic, the freight forwarder cannot be compelled to despatch such traffic by rail because he has to keep in view the requirements and preferences of the various parties offering traffic from time to time."

1.124. The Committee desired to know how it was ensured that the normal traffic which would have come to Railways normally was not offered by the freight forwarders. The Chairman, Railway Board stated in evidence:

"We have a general idea of the commodities which move by rail. We have this information party-wise and commodity-wise. If we find that a freight forwarded by the freight forwarder is one which normally would have come to us, we certainly take it as a misuse of the privilege given to them. We warn them

in such cases and we have taken action in many cases where this facility has been misused. We de-list them also."

1.125. The Committee desired to know what preliminary check was made by the Railways before a freight forwarder was appointed. The Member Traffic stated:

"We have our inspectors for checking up. They will be a registered company with a registered office. They should have infrastructure for moving goods between two points by road. Unless they have it, we do not recognise them. They should be the people who have business contacts for collecting goods etc. from the factories and for carrying that by road etc."

1.126. Asked about the basis on which the scheme of freight forwarder is sanctioned between two particular stations, the witness stated:

"First is, can we provide quick transit services between these two points? If we do not give them that, they will not come to us at all. It has to be two points between which we have a QTS. We have to see whether we can give them quick transit service. Having done that, we select people who are actually moving goods between these two points."

1.127. The Committee were informed that before the introduction of a freight forwarder service between two stations an evaluation is made by the concerned Zonal Railway's Marketing Organisation in consultation with Finance. The Committee enquired that if the services were introduced after elaborate studies and proper evaluation, how the service between Kanpur and Gorakhpur did not fructify even after a great deal of efforts. The Member Traffic stated in evidence:

"With regard to Kanpur-Gorakhpur, the service should not have been contemplated. Possibly the excessive enthusiasm of the road operator contributed to the railway saying 'we will introduce the service.' But because of the overnight service by road, it did not succeed."

1.128. The Committee asked whether it could be taken that the scheme could not have been sanctioned except on the basis of a detailed study. To this, the Member Traffic replied:—

"Yes. The Marketing Organisation should have made a two-way study—a study of the internal infrastructure and a study of the external side."

He added:

"In this particular case, I know the background. The North Eastern Railway was taken to task by us and they were told, 'The other railways have succeeded in pushing through an enormous amount of freight traffic. Why cannot you get on with the job?' This can be as a result of that pressures. They tried their best and they induced somebody who they thought would fulfil the scheme but it failed. There is no financial loss."

1.129. The Audit para mentions that the scheme of freight forwarder sanctioned in 1973 between Kanpur and Gauhati was introduced in February, 1976 and that traffic of six wagon loads only was offered by the freight forwarder upto June, 1976. The Committee enquired what were the reasons for its failure in the N.E. Railway. In a note, the Ministry of Railways have stated:

"With a view to explore the possibility of deriving the above benefits, N.E. Railway decided to operate the scheme between Kanpur and New Gauhati. But despite vigorous chasing, the scheme could not fructify due to lack of response from the trade mainly because of the excessive transit time taken by rail, as compared to road services. The feasibility of reducing the transit time was examined and it was found possible to reduce the transit time from 12 days to 9 days. But even then the trade did not respond. Further reduction in transit time in order to attract traffic to rail was not possible due to operational problem."

1.130. The Committee note that Freight Forwarder Scheme was introduced in 1969 in order to cater mainly to 'smalls' traffic bulked into wagon loads, which tends to move away from rail to other modes of transport. During 1976-77, the service was available between 67 pairs of points and the freight earned therefrom amounted to more than Rs. 652 lakhs. Under the scheme approved freight forwarders collect and deliver consignments from/to the godown of the individual traders at the forwarding and destination stations in 'smalls' and offer them for transportation by rail between specified terminals in wagon loads. The railways on their part quote a lumpsum rate which is attractive to the freight forwarder and there is a guaranteed supply of wagons which are monitored as Quick Transit Service. It is seen that in 1973-74, between 54 pairs of points on which this service was available 15,414 wagons were loaded. In the subsequent two years, viz., 1974-75 and 1975-76, the number of wagons loaded under this scheme were 12,872 and 12,491 respectively although the

number of points between which the service was available had gone upto 67 against 54 in 1973-74. The figure of loading in 1976-77 on the same 67 points was 17,888 which is indicative of an appreciable improvement in the performance over the preceding two years. The Committee would like the Railways not only to keep up this performance in future but also take all possible measures to effect further improvement by removing all shortcomings.

1.131. It has been mentioned that one of the main irritants in developing this traffic is that whereas the freight forwarder has to pay octroi duty the road haulier escapes it. The Committee feel that this matter can be sorted out amicably if a proper approach is made to the local authorities in right earnest.

1.132. The Committee note that a number of incentives were being offered to the freight forwarders for making the service attractive. These, inter alia, including facility of 'freight to pay', adjustments in rates, exemption from payment of wagon registration fees and even relaxation of normal operating restrictions in favour of the freight forwarders. The overall impact of these incentives on the Railway revenues will have to be quantitatively assessed with a view to work out the economics of the service and the Committee desire that such a study should be undertaken in relation to all services between different pairs of points. The Committee do not agree with the views of the Railway Board that since no capital investments or expenditure is incurred when a Freight Forwarder Scheme is introduced no separate study to evaluate the economics of the scheme is considered necessary. There is already a capital investment in the form of rolling stock, rail tracks and other equipment and therefore the adjustments in freights etc. pointed out above have to be evaluated against the traffic earnings as a result of this scheme.

1.133. That the freight forwarder schemes are not always sanctioned on the basis of a detailed study involving prospects of traffic and revenue is clearly borne out by the North Eastern Railways' experience in relation to Kanpur-Gorakhpur and Kanpur-New Gauhati services. The Kanpur-Gorakhpur service was sanctioned in August 1972, but has not fructified even after a great deal of efforts. Similarly, with a view to explore the possibility of deriving the benefits of the scheme, the North Eastern Railway decided to operate the scheme between Kanpur and New Gauhati but despite vigorous follow-up the scheme could not fructify due to lack of response from the trade. This scheme—though sanctioned in 1973 was introduced in February 1976 and by June 1976 traffic of 6 wagons loads only was offered by the freight forwarders. Similarly, on the Western Railway, though three freight forwarders were appointed in December 1973 mainly for piece goods traffic moving from Ahmedabad to Bangalore, no

traffic was offered due to excessive transit time by rail as compared to road services. These instances only demonstrate that there was not much of planning before the introduction of special services. In these cases, as has been conceded by the Member-Traffic, the Zonal Railway was loaded to take action since similar experiments on other Railways had helped in attracting additional traffic. The Committee need hardly emphasise that before introducing new service the pros and cons should be critically assessed.

1.134. The Committee find that the freight forwarders were actually road operators and freight forwarding was only a peripheral activity for them. In the circumstances, it is quite possible that clever operators, in order to take advantage of the lower rates and better facilities offered by the Railways under the Freight Forwarded Scheme may be diverting some freight which would have normally come to the Railways in the usual course. In fact, as pointed out by Audit, some of the freight forwarders on the South-Eastern Railway carried traffic by road. This aspect of the matter needs to be carefully and constantly kept under watch.

Container Service

Audit Paragraph

1.135. Container Service offers facility of safe transport of goods from the premises of the consignor to that of the consignee without any handling at the goods sheds. The containers are to be moved by nominated express goods trains. The containers have a capacity of 4.5 tonnes/5 tonnes. The containers are transported by specially designed flats.

1.136. During 1971-72, container service was available between 9 pairs of stations. It has been raised to 12 pairs of stations by 1974-75. The following table gives the total number of containers loaded and freight earned:

Year	Pairs of stations between which service are available.	Number of containers loaded	Earnings (lakhs of rupees)
1	2	3	4
1971-72	9	31,880	144
1972-73	9	28,759	141
1973-74	11	29,205	157
1974-75	12	30,329	204
1975-76	12	36,939	271

It will be seen from the figures of loading and earning of the services between 9 pairs of stations which have been continuing since 1971-72, indicated in the table below that there was a shortfall in the number of containers loaded during 1972-63 to 1974-75 as compared to that in 1971-72:—

Year	Number of containers loaded	Earnings (lakhs of rupees)
1	2	3
1971-72	31,880	144
1972-73	28,759	141
1973-74	27,261	142
1974-75	28,199	185
1975-76	33,485	243

1.137. The following features came to notice in the course of review of the performance of selected services:—

- (a) increase in turn-round (interval between date of despatch from base station and return thereto) due to detention of containers at terminals and idling of containers for want of traffic;
- (b) relays in releasing the containers by the parties which adversely affected the turn-round of containers and flats (to discourage the traders penalty by way of demurrage is not leviable under the extant rules for detention of containers); [it has been stated by the Railway Board (February 1977) that some detention to containers at consignees' premises is an inherent feature of any transport system and that the container services being a nascent one, it has not been considered desirable to impose the levy of demurrage/wharfage];
- (c) the transit time continued to increase;
- (d) loading of containers on some routes had declined;
- (e) conventional and BOX wagons had been used for carrying the containers due to non-availability of flats;
- (f) general economic recession in the country and drop in production of industrial goods owing to severe power cut, labour unrest, etc.; and
- (g) dislocation of railway operations due to deterioration in law and order situation, strikes and go-slow by Railwaymen culminating in the strike of May 1974.

These are further analysed in the succeeding paragraphs.

1.138. The number of containers loaded *vis-a-vis* the target as per the Project Reports was as follows:—

Sl. No	Name of Service	Loading (target per annum)	Number of containers loaded during					
			1971-72	1972-73	1973-74	1974-75	1975-76	
1	2	3	4	5	6	7	8	
1	Carnac Bridge—Asarva near Ahmedabad—Western Railway	1200	1416	1266	1080	904	480	
	Asarva—Carnac Bridge	1200	1352	1257	1024	660	435	
2	Carnac Bridge—New Delhi	3568	5301	4810	4614	5154	6468	
	New Delhi—Carnac Bridge	3644	4846	4667	4174	3169	3733	
3	Salt Cotaurs—Bangalore	1924	1655	1351	876	537	257	
	Bangalore—Salt Cotaurs	1115	1559	1138	477	352	286	
4	New Delhi-Howrah	}		1625	1466	1428	1398	1497
	Howrah-New Delhi		2376	1639	1602	1621	2000	3035
5	Wadi Bandar—Salt Cotaurs	1800	1781	1486	1420	1979	1657	
	Salt Cotaurs—Wadi Bandar	1800	1262	1002	1230	1159	698	
6	Wadi Bandar—Secunderabad	1800	1683	1320	1169	1404	1253	
	Secunderabad—Wadi Bandar	1800	1478	1272	1278	1732	1129	
7	Wadi Bandar—Yeshwantpur *	2082	1303	913	926	1383	2531	
	*Yeshwantpur—Wadi Bandar	1662	955	699	1110	1157	775	

1	2	3	4	5	6	7	8
	* (near Bangalore City—Southern Railway)						
8	Bangalore/Salt Cotaurs—						
	Shalimar	1400	946	1102	1046	1136	1325
	Shalimar—Salt Cotaurs/Bangalore	1400	958	1351	977	1221	299
9	Wadi Bandar—Shalimar	1684	984	1132	1428	1482	2551
	Shalimar—Wadi Bandar	1224	1137	925	1353	1334	1745
10	Carnac Bridge—Kota	1200	..	..	156	250	723
	Kota—Carnac Bridge	600	..	..	160	212	686
11	New Delhi—Salt Cotaurs/Bangalore	540	..	..	698	505	973
	Bangalore/Salt Cotaurs—New Delhi	540	..	..	960	1111	1337
12	Pune—Salt Cotaurs	910	..	..	..	58	277
	Salt Cotaurs—Pune	560	..	..	..	22	90

Note:—The figures of actual loadings are inclusive of ad-hoc movements also.

The loadings were generally much below the targets in respect of the services mentioned at Sl. Nos. 1, 3, 5, 6, 7, 10 and 12 of the table above.

1.139. During October 1975 to December 1976, the detention of flats at New Delhi ranged between 67 hours and 135 hours in respect of New Delhi-Howrah service; between 98 hours and 138 hours in respect of New Delhi Carnac Bridge service and between 70 hours and 104 hours in respect of New Delhi-Salt Cotaurs|Bangalore|Secunderabad service. The detention of flats at New Delhi adversely affected the optimum utilisation of flats and container.

1.140. Six containers, each having carrying capacity of 5 tonnes, are generally carried on a flat. However, due to non-availability of flats, conventional|BOX wagons had been used for transporting the containers resulting in under-utilisation of the capacity of such wagons since the actual load placed in such wagons was 8 and 23 tonnes against the carrying capacity of 22 and 55 tonnes respectively. The number of conventional|BOX wagons so used is mentioned in the table below:—

Name of service	Number of containers transported in conventional/BOX wagons			Percentage of containers carried in conventional/BOX wagons to total number of containers carried		
	1973-74	1974-75	1975-76	1973-74	1974-75	1975-76
Bombay—Madras .	270	774	1,012	20	30	61
Madras—Bombay .	244	407	1,114	20	32	51
Bombay—Secunderabad	148	664	630	13	47	42
Secunderabad—Bombay	155	620	630	12	41	42
Bombay—Bangalore .	152	468	929	16	24	47
Bangalore—Bombay .	227	308	1,006	22	20	50
Bombay—Calcutta .	21	30	1,031	1	3	38
Calcutta—Bombay .	..	18	545	..	1	24

The conventional BOX wagon were used mainly because of (i) supply of flats not matching with the provision of containers; (ii) non-availability of flats owing to their detentions at base stations, en-route and on other Zonal Railways; (iii) detention of flats marked for repairs.

It has been stated by the Railway Board (February 1977) that utilisation of BOX wagons in place of flats was a temporary feature; 150 flats were under manufacture and the present shortage would be made good when these flats were received.

1.141. The containers are required to be transported by nominated super express/express goods trains. While in respect of three services from New Delhi to (i) Bombay, (ii) Howrah and (iii) Salt Cotours|Bangalore the containers were generally attached to nominated trains, in respect of four services mentioned in the table below a large number of them had been carried by other trains. Consequently, the transit time exceeded the permitted time resulting in lesser turn-round of the containers. The table below shows the number of containers that arrived at Bombay by other than the nominated below:—

Particulars of service	No. of containers carried by other than nominated trains				Percentage of containers carried by other than nominated trains to total number of containers			
	1972-73	73-74	74-75	75-76	72-73	73-74	74-75	75-76
Madras—Bombay	841	506	1223	1120	56	41	96	51
Secunderabad—Bombay	1240	1104	1400	990	91	85	90	65
Bangalore—Bombay	497	677	1171	1290	6	66	98	64
Calcutta—Bombay	372	436	504	211	33	31	29	10

It has been stated by the Railway Board (February 1977) that efforts are made to clear the booked containers by other goods trains on the days on which nominated goods train is not scheduled to run.

1.142. The turn-round time (interval between dates of despatch and return to base station) of containers and flats of Central Railway exceeded the target time as will be seen from the table below:—

Service	Target (days)	Turn-round time (days)			
		1972-73	1973-74	1974-75	1974-75	1975-76
Bombay—Madras	11	15.8	23.7	23.3	18.4
Bombay—Secunderabad—Bombay	8	11.6	11.9	12.6	16.5
Bombay—Bangalore—Bombay	12	13.2	13.9	14.4	14.9
Bombay—Calcutta—Bombay	13	15.4	23.9	22.6	16.

The turn-round was affected due to detentions of containers at consignees' premises and more transit time of containers and flats.

1.143. Transit time taken by containers on their return journey is shown below:—

Name of Service	Target (days)	Actual transit time (days)			
		1972-73	1973-74	1974-75	1975-76
Madras—Bombay	5	5.7	10.4	12.9	6.6
Secunderabad—Bombay	3.5	5.1	6.9	7.8	6.3
Bangalore—Bombay	5.5	7.9	10.8	11.4	8.9
Calcutta—Bombay	6	5.4	8.6	9.8	6.6

The Railway Board stated (February 1977) that there had been significant improvement in the transit time taken during 1976-77 (7 months).

1.144. In respect of services terminating on Central Railway and services originating from New Delhi containers were hauled empty as follows:—

Name of service	Number of containers hauled		Percentage of empty containers to total number of containers hauled			
	1972-73	1974-75	1975-76	1972-73	1974-75	1975-76
Madras—Bombay	500	215	1456	33	16	67
Secunderabad—Bombay	118	Not available	1028	9	Not available	67
Bangalore—Bombay	175	93	1234	22	8	60
Calcutta—Bombay	185	411	835	17	23	38
New Delhi—Bombay	Not available	1953	2862	Not available	37.8 37.8	43.4
New Delhi—Howrah	Not available	565	2573	Not available	28.7	41.8

The Railway Board stated (February 1977) that on account of basic imbalance of traffic streams and day to day fluctuations in offering of traffic by customers, empty haulage of containers was inescapable.

1.145. Five tractor trailer units meant for transport of containers from firms premises to Railway stations and vice versa costing Rs. 6 lakhs,

have been lying unused on Central Railway since September, 1974 owing to a dispute with Maharashtra Government regarding Railway's liability for payment of vehicle tax.

1.146. On the basis of anticipated number of containers to be loaded monthly during 1975-76, the Railway Board allotted four additional tractors and matching semi-trailers for the container service running between Secunderabad and Wadi Bandar. These were received during March and May 1975, and have been lying in the open at the container terminal at Secunderabad. The South Central Railway Administration is unable to put these tractors, costing Rs. 2.72 lakhs, to use even on a trial basis for want of matching fifth wheel assemblies and semi-trailers, costing Rs. 1.02 lakhs, which are yet to be supplied by a Calcutta firm. In July 1976, considering the downward trend in the loading of containers at Secunderabad, the South Central Railway Administration requested the Railway Board to transfer these tractors to some other Railway, but the latter did not agree and directed the Railway Administration to explore the feasibility of utilising them by other departments for the time being.

1.147. Similarly, 3 out of 5 tractor units procured in 1973-74 by Northern Railway for New Delhi-Howrah and New Delhi-Carnac Bridge service have been idling for want of trailers and other components required for putting these vehicles into operation. These cost Rs. 2 lakhs approximately.

[Sub-paras 8.24 to 8.36 of Paragraph 8 of the Report of C. & A. G of India for the year 1975-76, Union Government (Railways)]

1.148. During 1971-72, the container service was available between 9 pairs of stations and in 1976-77 the service was available between 12 pairs of stations. From the figures given in the Audit paragraph it is seen that in 1971-72 between the 9 pairs of stations on which the container service was available 31,880 containers were loaded and the earnings thereon amounted to Rs. 144 lakhs. During 1972-73, between the same number of pairs of stations 28,759 containers were loaded and the total earnings thereon amounted to Rs. 141 lakhs. In 1975-76, the service was available between 12 pairs of stations and the loadings during the year were of the order of 36,939 containers, on which Rs. 271 lakhs were earned. In the year 1976-77, 43,052 containers were loaded.

1.149. The Committee called for details regarding the freight charges levied on various container services during 1972-73, 1973-74, 1974-75 and 1975-76 and enquired whether the increase in the earnings on the container services noticed from year to year was due to increased number

of containers transported or increase in the freight rates. The Ministry of Railways have, in a note, stated:

"The freight charge for containerised traffic is levied as an all-inclusive rate per quintal. It includes the rate for road as well as rail haulage. It varies from commodity to commodity and differs from party to party depending upon the distance of their godowns from the container terminals. The rate is finally fixed so as to be competitive with road rates.

Consequent to the general revision of rates in the freight structure in 1973-74 and 1974-75, the all-inclusive rates quoted for container services were also revised. The increase in earnings in 1973-74 and 1974-75 has been mainly due to a general increase in rates and to some extent due to increase in the number of containers loaded. However, the increase in earnings in 1975-76 over 1974-75 has been mainly due to increase in the loading of containers."

1.150. It is seen from the Audit paragraph that the number of containers loaded were generally much below the targets in respect of all the services except those between (i) Carnac Bridge and New Delhi, (ii) New Delhi and Howrah, (iii) Bangalore and Shalimar, (iv) Wadi Bandar and Shalimar and (v) New Delhi and Bangalore via Salt Cotaurs. The Committee asked whether the reasons for the shortfall in the actuals compared to the targets had been investigated and if so, what were they and what action had been initiated by the Railway Board for improving the performance of these services. In a note, the Ministry of Railways have stated:

"Yes, the reasons for shortfall have been investigated. It is true that there has been shortfall in the loading of containers on some services as compared with the targets fixed in the project reports. It may, however, be pointed out that the Railways had carried containers much above the targets in 1971-72 and 1972-73 on Carnac Bridge-Asarva and Bangalore-Salt Cotaurs services and in 1975-76 on Wadi Bandar-Yeshwantpur and Kota-Carnac Bridge Services. It may be further pointed out that the targets as laid down in the project reports are estimates made at the time of framing the reports and can vary very considerably due to the following reasons :

- (a) Variations in production due to factors like credit squeeze, power cuts, fluctuations in demand etc.;
- (b) Changes in the pattern of marketing/distribution;
- (c) Intense competition from roadways and the devious methods used by them in weaning away the traffic from Railways—

such as credit facilities, free godown facilities, undercutting the rates below the irreducible minimum rates in the empty return direction etc.”

1.151. Referring to the Ministry's note quoted above, the Committee pointed out that the reasons as given by the Ministry of Railways for the shortfall in the actual loadings of containers as compared to targets in respect of services in seven pairs of points were general and may commonly apply to other five services where loadings of containers were higher than the targets. The Committee, therefore, asked what were the specific reasons for shortfall in the actual loadings compared to the targets in respect of services between seven pairs of points. The Committee also desired to know if the targets for the loadings of containers needed revision and whether this had been done for the purpose of proper evaluation of the scheme. The note furnished by the Ministry of Railways is reproduced in Appendix III.

1.152. The Audit paragraph points out that during October 1975 to December 1976, the detention of flats at New Delhi ranged between 67 hours and 135 hours in respect of New Delhi-Howrah service; between 98 hours and 138 hours in respect of New Delhi-Carnac Bridge service and between 70 hours and 104 hours in respect of New Delhi-Salt Cotaurs/Bangalore/Secunderabad service and the detention of flats at New Delhi adversely affected the optimum utilisation of flats and containers. Explaining the reasons for the detention of flats in New Delhi, the Member Traffic has stated in evidence:

“There are reasons exactly why between October 1975 and December 1976 the detention in the services were between 135 hours and 98 hours. It has come down to 97 hours now. Against this detention, the detention of an ordinary wagon in New Delhi—between arrival and departure is about 67 hours. Now, these flats go loaded and come loaded unlike most of the wagons which arrive at New Delhi loaded and go empty. They carry foodgrains between North and South. Therefore, automatically they will require more time. There was an increase in detention hours in the early part of the year. It was higher. Later what we found was that there was a rush of containers coming into New Delhi from Bombay, Madras and Calcutta. If you look at the item 11, you will find that figures show an increase of containers to nearly three-fold. Now, at this terminal they can only handle a certain volume, that is, about 5,000 for which there is an infrastructure. We have put another crane during April, May and June this year and we have commissioned another siding. Now, we have brought the

detention to 97 hours. There is unloading and reloading and use of crane and for that, the extra detention of 25 to 30 hours would be normal."

1.153. The Committee asked for how long these flats remained in the station after off-loading. To this, the Member Traffic replied:

"They remain till the container comes back. We have not yet put the demurrage charges on the containers.

In this connection the Chairman, Railway Board, stated:

"The flats should have matched with the production of containers. For various reasons no wagon-builder was prepared to manufacture these flats because this was not a paying proposition for them. It was finally decided to make them in the Railway Workshop itself. We were also having a special design of bogies which was indigenously developed. The production of flats did not match with the containers. There is no doubt that the containers came much earlier. The result was that some containers had to be put into box wagons. At present the availability of containers is being matched with that of the flats and I hope it would be possible for us to match both during the course of this year.

As far as the detention at Delhi itself is concerned, there is a delay of 120 hours and there is no doubt about it. But our contention is that Delhi traffic has been one of the most popular as far as the containers are concerned either from Calcutta or from Bombay. While at some places we lost on the containers, particularly at Delhi, it was a popular move.

The third point is that the flats are waiting till the containers come back from the industries. As Mr. also mentioned, if a Sunday or a holiday intervenes, there is a little detention. Even during the last year there had been detention because of the handling difficulties. Some steps have already been taken for providing additional cranes. It has come down recently and we hope in the months to come we will be in a better position to match the availability of flats and containers and also to handle the increasing traffic at New Delhi."

1.154. From the figures given in the Audit paragraph it is seen that the percentage of empty containers to the total number of containers hauled during the year 1975-76 was as high as 67 per cent on the service between Madras-Bombay and Secunderabad-Bombay. Similarly on the services between New Delhi-Bombay and New Delhi-Howrah the percentage of

empty haulage was 41.8 and 43.4 respectively. Pointing out that the empty haulage of containers appeared to be quite high, the Committee enquired whether any studies regarding the economics of each service had been made by the Railways. In a note, the Ministry of Railways stated:

“Periodical (annual for services under 5 years and triennial for over 5 years) appraisals of the container services are being made regularly in order to assess the financial results of the container services taking into account the cost of empty haulage involved in the working expenses and they have revealed that the services, except for the one between Carnac Bridge and Asarve, are remunerative. The Western Railway are making special efforts to make the services between Carnac Bridge and Asarva also remunerative.

The empty haulage of containers is unavoidable. Bombay and Calcutta are important centres of production and cities like New Delhi, Madras and Bangalore are mainly consuming centres. On account of this unalterable fact, there is bound to be an imbalance in the traffic streams between these centres. Efforts are continuously being made by the Railways to reduce the empty haulage of containers by canvassing more traffic.

Since 1976, in order to reduce the empty haulage of containers, triangular movement of containers has been resorted to, e.g., containers received at Madras from Calcutta instead of being returned empty to Calcutta are sent empty to Bombay so that they can be sent loaded from Bombay to Calcutta which happens to be the loaded direction for the service between Bombay and Calcutta; otherwise, containers will be hauled empty from Madras to Calcutta and Calcutta to Bombay. This has been the reason for the heavy empty haulage in the Madras-Bombay route in 1975-76.

It may be added that if the containers are not hauled empty from consuming centres to production centres, the empty containers will only be suffering unnecessary detention for want of matching return traffic and the loading at the other ends will be held up for want of containers, leading to the dissatisfaction of the customers.”

1.155. Besides the undue detention of flats at New Delhi, the Audit paragraph brings out that containers had to be carried in conventional/BOX wagons due to non-availability of flats owing to their detentions en-route at base stations and on other Railways. The Committee enquired whether this was a sound practice and whether this did not involve loss of revenue

to the Railways because of under-utilisation of wagon capacity. The Ministry of Railways have, in a note, stated:

“Detention to container flats at New Delhi is mainly caused by—

- (i) the restricted handling capacity of the siding; (The container siding which was improvised for New Delhi-Bombay service is also dealing with New Delhi-Howrah and New Delhi-Madras/Bangalore services when they were later introduced); and
- (ii) receipt of containers in bunches from Bombay for individual parties beyond their releasing capacity,

The Northern Railway have since commissioned a small unused siding and mobilised a second crane to increase the handling capacity at New Delhi. The Western Railway have also been showing improvement in avoiding despatch of containers in bunches from Bombay. These steps have reduced detentions to flats at New Delhi

A comparison with detention suffered by conventional wagons at New Delhi during 1976-77 shows that the average overall detention works out to about 67 hours as against 110 hours in the case of container flats, an extra detention of about 43 hours. Considering the fact that crane handling of containers is also involved for the purpose of loading/unloading of the containers, the extra detention suffered by such container flats cannot be considered excessive. Further, a container flat differs from an ordinary wagon—in that it is only a chassis—and a container is mounted on it. The flat has to wait for the container to come back, loaded or empty, from the customer's premises (unless some other containers are already awaiting despatch) and certain amount of detention becomes inevitable, unlike in the case of ordinary wagon which, after it is unloaded, can be promptly backloaded by the first customer waiting for a wagon.

It is true that for want of adequate number of flats, containers are being sent loaded in BOX wagons. The flats that are now being utilised for carrying containers were converted from old BFR wagons. 150 new flats were provided for procurement in the RSP for 1972-73 (100) and 1973-74 (50). As the new flats were to be constructed on CASNUB bogies, the design of which took time to be evolved and finalised, the manufacture of these flats has been taken up by the Golden Rock workshop of Southern Railway only recently and 30 flats have been turned out till end of November 1977. It may take more

than two years to complete the manufacture of the remaining flats. Railway may, therefore, have to continue to use BOX wagons to fill up the gap between the requirement and the availability of flats.

The procurement of additional containers and matching flats was programmed simultaneously; but while the containers started rolling out, there was some difficulty regarding flats. The result was that flats fell short of requirements. The alternative was not to use the containers, which would have remained idle and unproductive. On the other hand, by using spare BOX wagons which otherwise would have moved empty or remained idle, we were able to make use of both the containers and the BOX wagons. The carrying capacity is not relevant, because it is a question of carrying something instead of nothing. Incidentally, it is in very few cases that the marked carrying capacity is capable of being achieved, not only for wagons but also for containers.

The use of BOX wagons to move containers is thus a transitional feature when such wagons have been spare and will be progressively reduced when terminal capacities are augmented and more flats become available."

1.156. The Committee desired to know whether the Marketing and Sales Organisation monitor the movement of flats and ensure that they are promptly released by the traders and that the factors causing detentions are minimised. In a note, the Ministry of Railways have stated:

"Container flats are hauled by Super Express goods trains or other nominated goods trains. The Marketing and Sales Organisations do maintain liaison with the Operating Departments on a day to day basis, with a view to identifying the factors which hamper speedy movement of such trains and take measures to remove them. The two factors which are mainly responsible for detentions caused to flats at the terminals are:

- (i) Limited capacity of the container sidings: The existing container terminals were initially set up by utilising whatever space could be secured in the goods shed area. With the growth and expansion of container traffic, considerable difficulty is being experienced in getting the flats placed and removed after backloading, within the restricted handling capacity.
- (ii) Bunched arrivals: Containers booked for certain parties are often received in large numbers at a time due to bulk imports beyond the capacity of the parties to release them

Besides, factories are closed on Sundays and in some cases on Saturdays also, and this adds to the detentions. In order to secure prompt release of flats/containers, the parties are persuaded through personal and telephonic contacts to take delivery of the goods and to release the containers early. Further, efforts are made to minimise detentions at the terminal itself by dismounting the inward containers from the flats on to the ground and backloading the flats with containers awaiting despatch—particularly when the parties are not in a position to take delivery of them.”

1.157. The table below gives details of the availability of flats and containers during each of the last 3 years:

Type of fleet	Holdings as on 1-4-73	Fleet on order (RSPs of 71-72, 72-73 & 73-74)	Opening balance as on 1-4-74	1974-75		1975-76		1976-77	
				Additions in 74-75	Holdings as on 31-3-75	Additions in 75-76	Holdings as on 31-3-76	Additions in 76-77	Holdings as on 31-3-1977
<i>Containers :</i>									
4.5 tonne capacity	188	Nil	188	Nil	188	Nil	188	Nil	188
5 tonne capacity	498	1400	873	653	1526	314	1840	58	1898
TOTAL	686	1400	1061	653	1714	314	2028	58	2086
<i>Flats :</i>									
BG four wheelers for 4.5 t. containers	47	Nil	47	Nil	47	Nil	47	Nil	47
BG bogies for 5 t. containers	150	150	150	Nil	150	Nil	150	13	163
M.G. bogies for 5 t. containers	8	Nil	8	Nil	8	Nil	8	Nil	8
TOTAL	205	150	205	Nil	205	Nil	205	13	218

1.158. It is seen from the above that during 1973-74, 1974-75, 1975-76 and 1976-77, there has been an addition of only 13 BG bogies to the total holdings of flats on all Railways. The total holdings as on 1-4-73 were

205 flats of all categories and this figure has gone up to 218 on 31-3-77. Asked when the present shortage of flats was expected to be made up, the Ministry of Railways stated:

“Till the end of November 1977, 30 flats have been turned out of the shops. At the current rate of manufacture, the remaining 120 flats are expected to be completed by the end of 1979.”

1.159. The Audit paragraph also brings out that the targets of turn-round time (interval between dates of despatch and return to base station) of containers and flats have not been adhere to. The Committee asked why has it not been possible to adhere to the targets of turn-round for the containers and flats. The Committee also enquired whether the excessive turn-round and transit time did not involve additional outlay on procurement of more containers than necessary and less intensive use of the containers available. In a note, the Ministry of Railways have stated:

“Initially, there were only a couple of services. Containers were, therefore, moving in a closed circuit between the pairs of stations concerned. The number of container services has been progressively increased to 12. Some of the terminals like Wadi Bandar and New Delhi are receiving from and despatching containers to 3 to 4 different destinations. The containers and flats initially allotted to a particular service are now being utilised more or less on a ‘pooled’ basis. For example, the containers and flats received at New Delhi from Madras, may be utilised to clear traffic towards Bombay or Calcutta, depending upon the day to day requirements at the New Delhi terminal. Under the circumstances, the concept of closed circuit movement based on a rigid turn-round is not as important as the transit time between any two points. Hence, a close watch is kept on the actual transit time and terminal detentions.

Besides, the quantum of traffic on certain services is considerably less in one direction than in the return direction. Due to this basic imbalance in traffic, empty haulage of containers becomes inescapable. For instance, considerable empty haulage is involved in the direction from Calcutta to Bombay, Madras to Calcutta and Madras to Bombay. With a view to minimising the empty container haulage triangular movement of containers has been resorted to, *i.e.*, containers received at Madras from Calcutta, instead of being returned empty to Calcutta are sent to Bombay so that they can be sent loaded from Bombay to Calcutta which happens to be the loaded direction for the

Bombay-Calcutta service. Though this has no doubt resulted in increased turn-round, from the point of view of the return of fleet to the base station, it has helped in avoiding empty haulage of containers from Madras to Calcutta and from Calcutta to Bombay, thereby leading to better utilisation of the fleet."

1.160. The Public Accounts Committee (1972-73) had review the performance of a few container services on the Railways. The Committee had, in paragraphs 2.27 and 2.28 of their 77th Report (Fifth Lok Sabha), *inter alia*, observed:

"The financial results of the services indicate that the actual return on the capital invested is far below expectations. In fact two services *viz.* Madras-Bangalore and Bombay-Bangalore are operating in losses. Besides increase in cost of acquisition of assets over estimates, two other factor are stated to have materially altered the financial results. That the life of the containers was assumed as 40 years instead of 10 years and that the Project Report did not take into account the cost of crane operations would show how far the initial anticipations on the basis of which the services were sanctioned were faulty. A realistic reappraisal of the service is, therefore, needed to find out how many of these which were initially found justified have proved to be not so, taking into account these factors. The Committee would like to be informed of the result of review and the action taken in pursuance thereof.

The Committee need hardly stress that the container services should be able to subserve the objective of attracting additional traffic at competitive rates without incurring losses. Close watch should therefore be kept on the traffic moved from week to week, month to month so as to take timely remedial measures. The financial results of the services should also be worked out promptly in future."

1.161. Taking note of the action taken by the Ministry of Railways on the above recommendations of the Committee, the Public Accounts Committee (1973-74) in paragraph 1.11 of their 109th Report made the following observations:

"The Committee had pointed out that the initial anticipations on the basis of which the container services were sanctioned were faulty, and had called for a realistic reappraisal of the services to find out how many of those which were initially found justified were not in fact remunerative. It is a matter of regret that such an important reappraisal does not appear to have been

carried out by the Railway Board. The Committee reiterate their recommendation that the return on capital as anticipated in the project reports should be revised realistically taking into account *inter alia* the correct life of the containers (10 years) and the cost of crane operation wherever applicable, and that if the revised calculations show that any of the services is unremunerative, it should be discontinued. It is also necessary that the officials who had worked out the 'initial anticipations' are brought to book under advice to the Committee."

1.162. When asked about the action taken on the Committee's recommendations, the Member Traffic stated in evidence:

"As directed by your Committee we made this study in September 1973. We gave to you an interim reply in September. We have yet to give a final reply. We will expedite this."

1.163. Subsequently in a note furnished to the Committee, the Ministry of Railways have stated:

"The PAC had desired in para 2.27 of their 77th Report (Fifth Lok Sabha), 1972-73, that the return on the capital as anticipated in the Project Reports should be reappraised realistically taking into account the correct life of the containers (10 years) and the cost of crane operation, wherever applicable.

Of the twelve container services in operation, the project reports of two services, introduced in April 1973 and December 1974, were already prepared applying the revised parameters of container life and the cost of crane operation. Out of ten which needed revision the project reports of 9 services have been revised. The 10th service *viz.* CCB-Asarve container service has not been found to be remunerative. Efforts are being made for canvassing traffic for this route failing which the possibility of closing this service would be considered.

As has already been explained in this Ministry's reply to para 1.11 of the PAC's 109th Report, 1973-74, the initial project reports were being revised not only by applying the revised parameters of container life and cost of crane operation but by reassessing the estimates of traffic and requirements of fleet on the basis of the latest turnaround as, otherwise, it would have been unrealistic to recalculate the percentage return only by applying the new parameters on the old estimates, especially when

during the interregnum between the framing of the initial project reports and their revision:

- (i) the pattern of movement of traffic had changed;
- (ii) the cost of equipment had increased;
- (iii) the freight rates were increased more than once; and
- (iv) the cost of haulage and other working expenses had risen considerably.

The returns thus worked out for the different services are altogether new and do not bear any relation to those of the initial project reports and are not therefore comparable with them.

It may be added that the scrutiny of the revised project reports submitted by the Railways for the Salt Cotaure-Bangalore container service and Shalimar-Salt Cotaurs/Bangalore service revealed that, if these two services were merged and run as a composite service, it would contribute to better utilisation of the fleet. Accordingly, the Railways have been directed to recast a single project report for the composite service."

1.164. The Ministry of Railways have also informed that the percentage returns of the 11 services (revised in respect of 9 services and as initially in respect of remaining two) are as given below:

S. No.	Service	Date of introduction	Estimated percentage Return	Remarks
1	2	3	4	5
1.	Wadi Bandar-Salt Cotaurs	16-6-1969	13.9	} According to revised project report.
2.	Wadi Bandar-Shalimar	16-4-1971	15.7	
3.	New Delhi-Howrah	15-3-1969	37.5	
4.	Yeshwantpur-Wadi Bandar	11-11-1969	16.23	
5.	Carnac Bridge-New Delhi	20-11-1967	21.58	
6.	New Delhi-Salt Cotaurs/Bangalore	1-10-1973	12.82	
7.	Salt Cotaurs-Bangalore	14-1-1969	12.03	
8.	Shalimar-Salt Cotaurs/Bangalore	3-11-1970	62.35	
9.	Wadi Bandar-Secunderabad	23-5-1969	13.17	

1	2	3	4	5
10.	Carnac Bridge—Kota	16-4-1973	10.0 @	} @These returns have initially been arrived all taking into account the revised parameters regarding life of containers and cost of crane operation.
11.	Pune—Salt Gotours	20-12-1974	11.6@	

1.165. On the question of the costing of the special services provided by the Railways for attracting high profit yielding traffic, the Indian Institute of Management, Ahmedabad had in their report, *inter alia*, made the following observations:

“Special services of the Railways, particularly the containers and O.T.S. appear under-priced. Such special services should be sold on the basis of dependability and service and not on price alone. Price should be in line with competition. To us it appears that through the use of containers particularly, the customer is getting more than his due and pays almost nothing for the extra features of this service. No wonder there is excessive demand than the supply can cope up with.”

1.166. Container Service is one of the several special services which have been introduced by the Railways primarily with a view to attracting high profit yielding traffic. In 1971-72, between the 9 pairs of stations on which the container service was available, 31,880 containers were loaded and the total earnings thereon amounted to Rs. 144 lakhs. In 1975-76, the service was available between 12 pairs of stations and the loadings during the year were of the order of 36,939 containers on which Rs. 271 lakhs were earned. A comparison of the number of containers loaded vis-a-vis the loading targets as set down in the Project Reports of different services has revealed that the loadings were much below the targets in respect of 7 out of 12 services. The investigations made by the Railway Board into the reasons for shortfall in the actual loadings compared to the targets have, *inter alia*, indicated that some of the big users of these services were diverting their traffic to roads mainly because the movement by road was cheaper and faster. How successfully the Railways are able to stem this diversion of traffic to roads will determine the future of the container service.

1.167. It is regrettable that seven out of the 12 services being run by the Railways have not achieved the targets laid down. In one case (Carnac Bridge-Asarva Service) it is proposed to close down the service. In two

other cases viz. (i) Salt Cotaurs-Bangalore Cantonment Service and (ii) Pune-Salt Cotaurs Service; it has been decided to merge these services with other services. In three cases viz. (i) Salt Cotaurs-Wadi Bandar Service, (ii) Yeshwantpur-Wadi Bandar Service, and (iii) Wadi Bandar-Secunderabad Service, the targets for loading have been scaled down. This clearly shows that the main objective behind the introduction of the container service, namely, meeting the competition offered by the truck operators has not been successfully achieved.

1.168. The analysis made by the Audit in relation to different container services has highlighted a number of deficiencies and bottlenecks which have an impact on the performance of these services. These are generally discussed below:—

- (i) In the operation of the container services there has been lack of a definite plan. The services between different pairs of stations have been introduced as and when considered necessary without any thought being given to the creation of the infrastructure necessary for the operation of the service. It is interesting to note in this context that whereas the availability of containers has increased more than three-fold during the period 1-4-1973 to 31-3-1977, the holding of flats on which these containers are transported has remained almost stationary during the same period. Only 13 flats have been added to a fleet of 205 in four years. This non-matching of flats with the production of containers has created several problems for the services.
- (ii) There has been no commensurate addition to the terminal facilities and handling capacities in the important terminal points like New Delhi. This has led to the detention of flats at New Delhi for periods far above the minimum and this had adversely affected the optimum utilisation of flats and containers.
- (iii) For want of adequate number of flats containers are transported on conventional/BOX wagons which results in under-utilisation of the capacity of such wagons since the actual load placed in such wagons was 8 and 23 tonnes against the carrying capacity of 22 and 55 tonnes respectively. Some idea of the loss due to under-utilisation of the carrying capacity can be had from the fact that in certain services the percentage of containers carried in conventional/Box wagons to the total number of containers carried was as high as 50 to 61 per cent.
- (iv) The containers are required to be transported by nominated super express/express goods trains in order to afford a time-bound service to the customers. The scrutiny by Audit has revealed that in certain services the percentage of containers

carried by other than nominated trains to total number of containers was as high as 98 per cent. As a result the transit time (interval between dates of despatch and return to base station) of containers and flats run on the service of the Central Railway far exceeded the targets laid down in this behalf. Similarly, the actual transit time on some services was far above the target. The transit time taken by containers on their return journey was also in excess of the targeted time.

- (v) Another striking feature as noticed in the services terminating on Central Railway and services originating from New Delhi was that the percentage of empty containers to the total number of containers hauled was appreciably on the high side.
- (vi) Still another feature noticed in the operation of the containers service was that huge sums of money were locked up in the form of tractor trailer units meant for transport of containers from firm premises to Railways for want of accessories and dispute about the question of payment of vehicles tax.

1.169. The above analysis brings into focus the various weaknesses of the container services. The Committee are of the opinion that although the special services like the container services were apparently generating extra earnings and contributing to Railways' revenues, it was difficult to assess if the current levels of earnings were the maximum or the most optimal given the existing organisational arrangements. The Committee would like that a systematic study of the economics of each service should be made by the Efficiency Bureau of the Railway Board. As suggested by the Committee in their earlier Reports, revised project reports have been prepared by the Railway in respect of the various container services. A fresh study is, therefore, essential to ascertain as to how the actual return on each service compares with the estimated percentage return. The Committee would like to be apprised of the action taken in the matter.

1.169A. The Committee would like to warn the Railway against any complacency owing to the facts that the earnings from containers had shown an increase from Rs. 144 lakhs to Rs. 271 lakhs in 1975-76. It has to be remembered that over the years the number of pair of stations between which such services are available has been increased. Secondly as admitted by the Ministry of Railways, the increase in earnings is also partially due to increase in freight. Surely when the number of pairs are increased the investment on the flats and containers and other accessory facilities goes up. The Committee therefore recommend that Government should evaluate whether the increased earnings through container services have been commensurate with the increase in investments and if it has not been they should take appropriate measures to improve the container service.

Station to Station Rates

Audit Paragraph

1.170. Station to station rates below the normal tariff rates are quoted by the Railways, where justified, to attract traffic to railways and to secure additional revenue. The rate to be quoted should be such that it leaves some margin after meeting the cost of operation.

1.171. For despatch of motor cars and scooters from Bombay area and Chinchwad near Pune to important metropolitan centres, station to station rate at 3 to 35 per cent below the normal tariff had been sanctioned by the General Manager, Central Railway, from time to time since July 1969. However, traffic did not materialise upto the expectation as supply of special type of vans to the extent required was not guaranteed.

1.172. The despatches in respect of total number of vans loaded with motor cars and tempos|auto-rickshaws respectively, which included loading at special station to station rates, were as indicated in the table below:

Year	Number of vans loaded	
	Motor cars	Auto-rickshaws
1972-73	766	289
1973-74	624	253
1974-75	555	272
1975-76	532	240

The Railway Board stated (February 1977) that the fall in traffic was mainly due to (i) drop in production of Fiat cars from a level of 13,192 in 1972-73 to 12,229 in 1975-76, (ii) increase in local consumer demand and (iii) disturbed law and order conditions and dislocation of Railway operations resulting in shortage of special type of vans. As regards fall in loading of tempos and auto-rickshaws, it was attributable to factors like speedier transit and competitive rates offered by road hauliers.

1.173. There was diversion of traffic to road in respect of lubricating oil including industrial and insulating oil booked from Wadi Bandar on account of increase in freight rates due to upward classification of these commodities with effect from 15th February 1975. The traffic carried by rail fell from 52,899 tonnes in 1974-75 to 23,071 tonnes in 1975-76. This drop is stated by the Railway to be partially off-set by increase in loadings from other stations in Bombay Division. The Railway Administration introduced a

special rate, 10 per cent below the normal tariff rate, for wagon load traffic from Wadi Bandar to Madras with effect from 11th March 1976. This got neutralised in general freight increase from 1st April 1976.

[Sub paras 8.37 to 8.40 of Paragraph 8 of the Report of C&AG of India for the year 1975-76, Union Government (Railways)].

1.174. The Public Accounts Committee (1973-74) had in paragraph 1.66 of their 120th Report (Fifth Lok Sabha) made the following observations:

“The Committee presume that the rate reducing powers of the Zonal Railways can be exercised only on commercial considerations. In any case there should be at no time any question of reducing the rate below cost. The Committee desire that all the concessional rates in the nature of station to station rates or otherwise quoted by all Zonal Railways should be reviewed immediately to see how far they have served the interests of Revenue. Such of those as are found to be detrimental to revenue should be withdrawn forthwith.”

1.175. In their Action Taken Note furnished to the Committee in October 1974, the Ministry of Railways stated:

“General Managers of the Zonal Railways have powers to quote station to station rates only on Commercial considerations, *i.e.*, in order to retain|attract traffic to rail and to earn additional revenue and in quoting such a rate they are required to ensure that it is not below the cost of transport.

Instructions already exist to the effect that the Railways should review the station to station rates periodically and make adjustments therein as may be called for. The recommendation for a review of all existing station to station rates has again been noted and communicated to Zonal Railways for implementation.”

1.176. The Committee enquired whether a review of all existing station to station rates had been undertaken and completed. The Committee also wanted to know how many such rates were in existence on the Railways as on 31 March 1977 and how many of them were found to be unremunerative. In a note, the Ministry of Railways have stated:

“Yes, the review undertaken in August 1974 has been completed. While issuing instructions for the review, all Railways were directed that these special rates which proved to be detrimental to revenue, should be withdrawn.

The Railways are also required to review special rates periodically at interval of not more than 12 months and to make such adjustments as might be called for.

In August 1976, all the Railways were again directed to review all stations to station rates and to confirm that the special rates in force subserve commercial interests of the railways and do not involve them in any loss. Replies from all the Railways (except N.F. Railway) have been received and the Railways have confirmed that the special rates quoted by them did not involve railways in any loss.

The number of station to station rates in existence as on 31st March 1977 was 502."

1.177. In a subsequent note, the Ministry of Railways have stated that "N.F. Railway have also now confirmed that the special rates quoted by them did not involve railways in any loss."

1.178. The Audit para points out that the loadings of Motor Cars and Auto-Rickshaws on the Railways had continuously gone down from 1972-73 to 1975-76. The fall in the loading had been attributed to factors like speedier transit and competitive rates offered by road hauliers. The Committee desired to know what was the extent of loading of Cars and Auto-rickshaws in 1976-77 and what measures were proposed to be taken to increase the loadings of motor cars and auto-rickshaws. In a note, the Ministry of Railways have stated:

"Loading of cars and auto-rickshaws for 1975-76 and 1976-77 is given below:

Year	No. of vans loaded	
	Motor cars	Auto-rickshaws and Tempos
1975-76	532	249
1976-77	555	535

It may be seen that loading of cars and auto-rickshaws has improved in 1976-77 as compared to the loading in 1975-76. Loading of auto-rickshaws has improved by more than 100 per cent.

Various measures taken to improve the loading are given below:

- (i) frequent meetings with the manufacturers at various levels;

(ii) successfully persuading the manufacturers to use BCXTs instead of VPUs, which were in short supply;

(iii) quoting special station to station rates."

1.179. The Indian Institute of Management, Ahmedabad in their review of the working of the Marketing and Sales Organisation of the Western Railway have made the following observations in regard to station to station rates:

"Marketing and sales organisation has been recommending on changes in station to station rates. Such changes are made to make Railways more competitive with trucks. We feel that there is also a need to look at station to station rates from the point of view of balancing the incoming and outgoing traffic so that a wagon, instead of hauling empty, can carry some load and thereby make a contribution to revenues."

1.180. The Committee find that as on 31 March 1977, 502 station to station rates were in existence on all Railways. Under this system station to station rates below the normal tariff rates are quoted by the Railways to attract traffic to Railways and to secure additional revenue. It has been stated that as desired by the Public Accounts Committee in their earlier reports, the station to station rates quoted by various railways were subjected to review and none of the special rates quoted by them involved the railways in any loss. The Committee feel that the question of empty haulage wagons in the return direction needs to be carefully examined with a view to ascertain to what extent the additional revenue earned by quoting special rates is neutralised by the empty haulage. In the same context it would be desirable to consider whether any additional traffic for the return movement of empty wagons could be attracted to Railways by quoting still more concessional rates for the incoming traffic without subjecting the Railways to undue burden. Such concessional rates will at least contribute something to the revenues as the empty wagons have in any case to be moved back to the point of despatch.

1.181. The Committee find that the loadings of motor cars and auto-rickshaws on the Railways had continuously gone down from 1972-73 to 1975-76. The fall in loading had been attributed to factors like speedier transit and competitive rates offered by road hauliers. The Committee have been informed however that in 1976-77 the loading of cars and auto-rickshaws had improved and in the case of auto-rickshaws there was almost 100 per cent improvement over the previous year. According to the Railway Board the improvement in the loading has been possible as a result of several measures taken in this direction, such as frequent meetings with the manufacturers at various levels, successfully persuading the manufacturers

to use wagons instead of special vans which were in short supply. The fact that the measures now taken by the Railways have been instrumental in a spectacular improvement in the loading of auto-rickshaws only goes to prove that in the earlier years such efforts were lacking. The Committee need hardly emphasise that the special station to station rates may be kept under constant review and necessary adjustments as and when called for may be carried out in the interest of revenue and better service.

Quick Transit Service

Audit Paragraph

1.182. Under this scheme (originally introduced in April 1956) delivery of goods is guaranteed within fixed time on payment of 5 per cent surcharge (subject to a minimum of one rupee), in addition to ordinary freight charges, and if delivery is not effected within the stipulated period, the surcharge is refunded. Quick transit service wagons are moved by super express/nominated express goods trains.

1.183. The total amount of surcharge collected and amount refunded are indicated in the table below:—

	1971-72	1972-73	1973-74	1974-75	1975-76
	(lakhs of rupees)				
Surcharge collected	31.38	37.31	41.48	41.69	48.77
Amount refunded	2.75	4.79	11.88	10.15	8.58
Percentage of refund to surcharge collected	8.76	12.59	28.64	24.35	17.50

Note:—These figures are still (March 1977) to be verified by the Railway Administrations.

1.184. A review of six services (mentioned below) disclosed that the incidence of refund of surcharge due to non-delivery of consignments within the guaranteed period had been increasing.

Sl. No.	Pairs of points between which the services are available	Date of introduction	Transit time fixed (in days)
1.	Salt Gotaurs—Belangan (Agra)	1st October 1956	13
2.	Raichur—Wadi Bandar	15th March 1972	5
3.	Luknow—Wadi Bandar	9th February 1969	12
4.	Carnac Bridge—Ballabgarh	25th February 1972	6
5.	Kanpur—Wadi Bandar	1st February 1969	10
6.	Cachin Harbour terminus—Wadi Bandar	2nd May 1969	10

The amounts of surcharge realised and refunded during 1971-72 to 1975-76 in respect of these services are shown below:—

Year	Amount of surcharge		Percentage
	realised	refunded	
1971-72	71,660	10,215	14.25
1972-73	1,20,464	30,398	25.23
1973-74	73,145	50,720	69.34
1974-75	72,674	44,691	61.49
1975-76	72,022	33,048	45.88

Two other services between (i) Coimbatore and Wadi Bandar and (ii) Tiruchirappalli and Wadi Bandar introduced in October 1966 and January 1970 respectively had to be withdrawn during August-September 1976 due to poor results. The percentage of refunds of surcharge to the total collection in respect of these services had been increasing as shown below:—

Service		1971-72	1972-73	1973-74	1974-75	1975-76
Coimbatore to Wadi Bandar	C	17,154	36,354	17,422	3,087	1,018
	R	1,935	11,404	14,725	3,029	537
	P	11.37	31.37	84.53	98.12	52.75
Tiruchirappalli to Wadi Bandar	C	14,823	35,021	28,618	28,312	9,777
	R	1,535	9,057	18,601	18,237	3,084
	P	10.36	25.86	65.00	64.41	52.00

(C—Collected, R—Refund dP—Percentage)

1.185. The following services are available from/to Rajindra Nagar Goods Shed (Patna Junction) of Eastern Railway:—

Sl. No.	Pairs of points between which the services are available	Date of introduction	Transit time fixed (in days)
1.	Wadi Bandar—Rajindra Nagar Goods shed	10th April 1970	12
2.	Manniad—Rajindra Nagar Goods shed	1st October 1973	12
3.	Nasik Road—Rajindra Nagar Goods shed	1st October 1973	13
4.	Lasalgaon (near Manmad Junction Station of Central Railway)—Rajindra Nagar Goods shed.	1st October, 1973	12
5.	Ballabgarh—Rajindra Nagar Goods shed	10th April, 1971	10
6.	Pabli khas (Near Meerut Cantt. Northern Railway)—Rajindra Nagar Goods shed.	July, 1975	7

The incidence of refund of surcharge due to non-delivery of consignments within the guaranteed period had been increasing as shown in the table below:—

Year	Amount of surcharge		Percentage of column 3 to 2
	realised	refunded	
	Rs.	Rs.	
1	2	3	4
1971-72	18,507	791	4.3
1972-73	21,585	3,224	14.9
1973-74	28,808	6,067	21.1
1974-75	30,013	4,933	16.4
1975-76	34,779	5,809	16.1

NOTE :—The figures are yet (March 1977) to be verified by the Railway Administration.

The high incidence of refunds has been attributed to late running of trains due to late line clear, engine failures, engineering restrictions, detentions enroute, haulage of wagons loaded with such consignments by ordinary goods trains instead of by nominated ones and detention of quick transit service wagons in the yards enroute. A test check of the records of Mughalsarai and Danapur yards for the year 1975-76 revealed that detention of such wagons ranged between 15 hours (in May 1975) and 221 hours (in December, 1975).

The Railway Board stated (February, 1977) that these factors are part of day to day railway operation and unavoidable in nature.

1.186. A review of the performance of quick transit services in operation between (i) New Delhi-Kankeria-Ahmedabad, (ii) New Delhi-Kota and (iii) New Delhi-Surat disclosed that during June to December 1975 surcharge had been refunded almost to the extent of 100 per cent, in respect of (i) and (ii) and in the case of (iii) the refund varied between 66 and 100 per cent. The circumstances under which delivery of consignments could not be effected within the guaranteed period are still (February, 1977) to be investigated by the Railway Administration.

1.187. In certain cases wagons carrying quick transit service consignments were sealed through to destination stations irrespective of weight loaded resulting in underloading of wagons and consequent loss of revenue to Railways. A few such instances are:—

- (a) The quick transit service from Lucknow to Madras, Howrah and Wadi Bandar is generally availed of for booking of consignments of iron and general goods to Madras, tobacco, general goods and grains to Howrah and achar (pickles), agarbati, etc. to Wadi Bandar. During the period May 1972 to October 1974, such consignments loaded in 343 wagons were sealed through to all these three destinations and the weight loaded in each wagon ranged between 12 to 21 quintals against the minimum of 90 quintals prescribed for a through sealed wagon.
- (b) Consignments of glassware are booked in "smalls" from Ferozabad to Wadi Bandar and Howrah and are carried by weekly quick transit service. During the period August 1972 to December 1974, such consignments loaded in 191 wagons were sealed through to Wadi Bandar and Howrah even though the pay load in each wagon was seldom more than 40 quintals (in some cases it was as low as 6 quintals) against minimum load of 60 quintals.

The Railway Board stated (February 1977) that the procedure of sealing and despatching the wagons with available consignments through to destination after a reasonable load had been achieved, without unduly detaining the booked consignments instead of despatching to the next repacking points, had the added merit of ensuring better utilisation of the wagon and yielding turn-round.

1.188. A review of the performance of selected services on Western Railway, viz., (i) Carnac Bridge-Jaipur, (ii) Carnac Bridge-Kankaria and (iii) Ghaziabad-Carnac Bridge revealed that during April 1975 to March 1976 surcharges realised had almost wholly been refunded. A further analysis to find out the reasons for refund disclosed that consignments booked ex-Muzafiarnagar to Anand (served by Ghaziabad-Carnac Bridge service) during December 1974, February 1975, December 1975 and January 1976 had generally been received after 10 to 15 days against the guaranteed transit time of 9 days. Though, in some cases wagons were received at Anand within the stipulated time they were placed for unloading after the expiry of the target time. In respect of quick transit service wagons booked ex-Nagda (Western Railway) to Rajpura (Northern Railway) during 1975, the delay ranged between 1 and 17 days at the forwarding station itself.

The Railway Board stated (February 1977) that the first two services involve break of gauge and consequently difficulty was being experienced to adhere to the target.

1.189. On the North Eastern Railway the following services were in operation during the years 1973-74 to 1975-76.

- (a) Jayanagar Nepal Siding-Nautanwa
- (b) Kankaria-Muzaffarpur/Narayanpur Anant
- (c) Wadi Bandar-Muzaffarpur/Narayanpur Anant

Except during the month of December 1975 (when 102 consignments were booked) no traffic was offered at Jayanagar Nepal siding during 1974-75 and 1975-76. The service between Muzaffarpur/Narayanpur Anant and Wadi Bander was also not satisfactory on account of late handing over of quick transit service wagons by broad gauge system to North Eastern Railway at transshipment/interchange points and detentions of consignments at Wadi Bandar itself (varying between 34 and 41 days during March 1975).

1.190. On the South Central Railway, in certain cases the quick transit service traffic had not been received at destination station within the guaranteed period mainly due to late handing over of quick transit service

wagons by the adjoining Railways resulting in heavy incidence of refunds of the surcharge. The extent of traffic received after the guaranteed period ranged between 47 per cent and 84 per cent during the period 1973-74 to 1975-76.

The Railway Board stated (February 1977) that in the cases of streams of traffic involving long leads over more than one railway and these involving break-of-gauge it had generally been found difficult to stick to transit time.

[Sub paras 8.41 to 8.49 of Paragraph 8 of the Report of C&AG of India for the year 1975-76, Union Government (Railways)].

1.191. The table below the figures of Quick Transit Service charges collected and refunded on all the Railways during the last 5 years and the percentage of refund to the surcharge collected:

(Lakhs of Rupees)

	1972-73	1973-74	1974-75	1975-76	1976-77
Surcharge Collected	37.29	41.49	41.49	48.74	60.80
Surcharge refunded	4.70	11.88	10.15	8.57	5.96
Percentage of refund to the total Collection	12.6	28.6	24.3	17.59	9.8

1.192. The Committee asked whether the percentage of surcharges refunded was considered reasonable, the Ministry of Railways in a note have stated:

“Yes, the percentage of surcharge refunded is reasonable except for the years 1973-74 and 1974-75, when the law and order position was extremely bad in the country and there were bandhs, strikes etc. including Railwaymen’s General strike resulting in disruption of railway operations.

It is submitted that railway-wise percentage of refund does not give the correct picture because they collect the QTS charges on outward traffic and refund the QTS charges on inward traffic

Hence collection and refund on all railway basis only can give the correct picture. It may kindly be noted that there is appreciable improvement in 1976-77."

1.193. Referring to the statement that the railwaywise percentage of refund did not give the correct picture, the Committee enquired whether it was not necessary to devise a procedure for collection of data relating to Railway-wise percentage of refund for the purpose of determining the efficiency of Quick Transit Service on the Railways. The Ministry of Railways have, in a note, stated:

"Under the procedure in force till September 1976, the QTS charges was either 'Paid' or 'To Pay' (according to as the consignment was booked 'Paid' or 'To pay'). In either case, the extra fee was shown separately on the invoices/RRs. If the consignments were not delivered within the stipulated time, the destination station would collect only the freight due in the case of 'To Pay' traffic and not the QTS charge. For purposes of accountal, however, the total of freight plus the QTS charges were shown as collected from the consignee and the element of QTS charge as refunded, though no cash refund was involved. In the case of 'paid' traffic, however, when the consignments were not delivered within the scheduled time, the destination station would issue a Pay Order drawn on the booking station and send an advise to the consigner for obtaining refund of the QTS charge from the booking station. After verification, the booking station would grant the refunded in cash on the basis of pay order.

The percentage of refund under the procedure in force till September 1976 mentioned above could not be taken as giving the correct picture because the Railways collected the QTS charges on all outward 'Paid traffic' while refund of QTS charges was made on both 'Paid' and 'To pay' inward traffic.

The procedure regarding QTS charges has, however, been simplified with effect from 1-10-1976. Under this revised procedure, the QTS charges are shown separately in the invoices/RRs as 'To pay' irrespective of whether the consignment is booked as freight 'paid' or 'to pay'. The QTS charges are now recovered from the consignees only in cases where the consignments arrive the destination within the stipulated time. If the consignments do not reach in time, the QTS charges are foregone and for purposes of accountal it is shown as if they have been collected from and refunded to the consignee though no cash refund as such is involved. The revised procedure, apart

from simplifying the rules for QTS charges, incidentally helps the Railways in having a realistic picture as to the performance of each QTS service through the incidence of refunds. The performance of Super Express Goods Trains, which also carry QTS loads among others, is being regularly watched."

1.194. The Audit paragraph points out that in respect of six services each on Central and Eastern Railways the refund of the Quick Transit Service charges was very high. In this context the Committee enquired whether the functioning of the Quick Transit Services in operation on various Railways had been reviewed with a view to finding out why the target transit time had not been adhered to and substantial percentage of surcharge had to be refunded defeating the very objective of the service. In a note, the Ministry of Railways have stated:

"There are more than 300 pairs of stations between which Quick Transit Services are operating. Running of Quick Transit Services is the responsibility of the Zonal Railways, who keep a constant watch on the functioning of these services. Incidentally, most of the Quick Transit Service consignments are normally moved by Super Fast and Express Goods trains, the movement of which is closely watched on day to day basis by the railway administration and is periodically reviewed by the Railway Board also. Whenever it is noticed that Quick Transit Services are not functioning satisfactorily between a particular pair of points, the reasons are analysed in depth and remedial measures taken to obviate detentions in terminal yards and *en route*.

However, if it is found that a particular service is not running satisfactorily within the target time prescribed in spite of best efforts of the railways, it is then withdrawn.

Incidentally, it is mentioned that, if quick transit service does not run within the target time, there is no financial loss to the railways. However, because it is part of better service to customers, all-out efforts are made by the railways to run it to time."

1.195. During evidence the Committee pointed out that even if the quick transit services did not run within the target time there was no financial loss involved but nevertheless with a view to inspire confidence in the customers some system of self-imposed penalty might be considered. In this connection, the Chairman, Railway Board stated that "in some

Railways in Europe and America, a rebate is given. On the other hand, we have chosen this system." He, however, added that they will consider the suggestion made by the Committee.

1.196. On being pointed out by the Committee that in cases where the percentage of refund was very high, the Railway should consider stopping the service, the Chairman, Railway Board stated:

"Any service which we have given even if it is hundred per cent refund, the public refuses to allow us to stop it. Instead of four days, we still bring it in five days. The pressure is so great and still we bring it in five days. We are able to keep upto the promise."

1.197. Asked what were the difficulties in adhering to the targets of transit time, the Chairman, Railway Board stated:

"These are operational difficulties and we are trying to improve operation part of it. I think today it is much better. On the other hand, I would like to submit that our QTS services are very very popular and still mostly we have been able to keep upto the promise. There are failures. I do not deny that."

He added:

"Regarding QTS, there is a great response. And if we create a confidence, we are able to perform better."

1.198. The Committee pointed out that if there were more operational difficulties in running of Quick Transit Services on certain sections, there was no point in continuing such services. The Ministry of Railways have, in a note, stated:

"Whenever it is observed that due to operational difficulties at break of gauge transshipment, intermediate yards etc., the target transit time cannot be adhered to despite all-out efforts to effect improvement, action is taken to discontinue such Quick Transit Services. The following are some of the instances where services, which were running unsatisfactorily due to operational constraints were withdrawn:—

- (i) Carnac Bridge to Jaipur.
- (ii) Coimbatore Jn. to Wadi Bandar.
- (iii) Tiruchirappalli Goods to Wadi Bandar."

1.199. The Audit paragraph brings out that apart from delay in transit of goods offered under Quick Transit Service, the wagons were also under-loaded with consequent loss to revenue. The Committee asked what load

was considered reasonable after achieving which an under-loaded wagon could be despatched, keeping in view the carrying capacity of the wagon and the minimum load for charge for wagon loads and smalls. In a note on the subject, the Ministry of Railways have stated:

“Minimum weight for charge in the case of wagon-load consignments is either the carrying capacity of the wagon or the quantum prescribed for the particular commodity on the basis of its loadability. There is no minimum weight for charge in the case of ‘smalls’ burked. into wagon loads. ‘Smalls’ consignments are cleared in wagons by sending them from one repacking point to another, until a minimum of 90 qtls. for a BG wagon and 60 qtls. for MG wagon is achieved to seal the wagons through to farthest destination. It is not possible to adhere strictly to such minimum weight in the case of Quick Transit Service Wagons as detention of Quick Transit Service consignments to make up the above minimum weight will defeat the very objective of the service. The scheme envisages that the ‘smalls’ consignments booked under Quick Transit Service should be cleared without delay and under no circumstances should these vans be despatched to repacking points. Instead of incurring any loss for the railway there is quicker turnround of wagons and consequent benefit to the customers.”

1.200. The Committee find that there are more than 300 pairs of stations on the Indian Railways between which the Quick Transit Services are operating. The Quick Transit Services provide transport of goods within assured target time for which the customer is required to pay special surcharge on the ordinary freight. According to the Railway Board, by these services the Railways infuse confidence among the trading community for quicker and safer transport, thereby improving the Railways' image besides earning additional revenue without incurring any additional expenditure. While this service apparently seems to be oriented towards customer needs it is difficult to assess its overall impact on the freight market particularly in view of the fact that the incidence of refund of surcharge due to non-delivery of consignments within the guaranteed period had been increasing. It is indeed disappointing to note that in some cases the surcharge had to be refunded to the extent of 100 per cent.

1.201. The high incidence of refunds of surcharge has been attributed to factors which according to the Railway Board were part of the day-to-day railway operations and unavoidable in nature. It would, however, appear that factors such as haulage of wagons loaded with such consignments by ordinary goods trains instead of by nominated ones, delay in

handing over of QTS, wagons by adjoining railways, detention of quick transit service wagons in the yards en-route, delay in placement of wagons for unloading even when such wagons were received within the stipulated time, are not entirely beyond control. Careful supervision and proper monitoring of the quick transit service wagons will go a long way in eliminating some of these factors. The Committee desire that the performance of each service should be systematically watched at the division level for which a regular procedure should be laid down. In case any service is found to be uneconomical immediate steps should be taken to withdraw it after proper evaluation.

1.202. It has been stated that even if the quick transit services did not run within the target time there was no financial loss involved. The Committee are not able to appreciate this argument because 5 per cent surcharge over the ordinary freight charges which is levied under Q.T.S. on account of moving the QTS wagons by Super Express/nominated Express goods trains has to be refunded in case the delivery is not affected within the stipulated time. On certain Railways the refund of surcharge at times varied between 66 and 100 per cent. The Committee therefore feel that delivery of wagons within the stipulated time was very essential. Moreover since this is a customer oriented service all out efforts should be made to adhere to the time schedules which are of a paramount importance in this type of service. In order to give customer satisfaction the Committee recommend that in addition to the refund/non-realisation of the surcharge in cases where consignments do not arrive at the destination stations within the stipulated time, the Railways should examine the feasibility of compensating the customers for non-adherence to the time target.

1.203. The Audit Paragraph mentions that apart from delay in transit of goods offered under Quick Transit Service, the wagons are also under-loaded with consequent loss to revenue. It has been pointed out in the Audit Paragraph that during the period May 1972 to October 1974, the loads in some of the wagons booked under Quick Transit Service from Lucknow ranged between 12 to 21 quintals against the minimum of 90 quintals prescribed for a through sealed wagon. Similarly, in consignments of glassware booked from Ferozabad during the period August 1972 to December 1974, the pay load in some wagons was as low as 6 quintals against a minimum of 60 quintals, prima facie this appears to be a faulty practice. For earning a per cent surcharge on some 'small' consignments, there can be no justification for despatching highly under-loaded wagons thus incurring loss in revenue to Railways. This important aspect of the service needs to be carefully reviewed.

Road and Industrial Surveys

Audit Paragraph

1.204. As mentioned earlier, an important function of the Marketing and Sales Organisation is to undertake commodity/road surveys to ascertain commoditywise pattern of traffic moving by road and the points between which this traffic moved with a view to assessing as to which of this traffic could be brought to railways with advantage.

1.205. The survey reports and the action taken thereupon by different railways were reviewed. The salient points noticed are indicated below:

(a) *Central Railway*

(i) The Marketing and Sales Organisation of the Central Railway carried out 11 surveys during 1970-71 to 1975-76. The reports of survey carried out during 1971-72 at Panvel Petrol Naka and at Panvel Palaspe Naka (near Bombay) contained statistical data about number of trucks moved and nature and quantum of traffic carried by road. It did not contain information about transit time taken by road hauliers *vis-a-vis* by rail between the same pairs of points, freight charges, etc. nor did it contain recommendation of the survey team about the measures to be taken for winning traffic to Railways.

The Railway Board stated (February 1977) that the truck crew did not carry necessary information and did not agree to furnish this information to the Railway officials.

(ii) During 1975-76, four surveys were undertaken at (a) Wadi Naka No. 10 (near Nagpur) on National Highway No. 6 (between Calcutta and Dhulia, Maharashtra), (b) Dhulia at junction of National Highways No. 3 (between Bombay and Agra) and No. 6 and (c) Raksha check point at Jhansi on National Highway No. 25 (between Shivpuri, near Gwalior, and Lucknow) and (d) Sahaganj Octroi Post, Agra. The reports of the survey teams were submitted to the Railway Administration in 1975. The teams did not make any recommendation except in the case of (a). According to the recommendation, certain measures were to be taken by Railway Administration to serve traffic in onion, textile goods steel pipes and structural materials moving by road from Nagpur.

The Railway Board stated (February 1977) that onion and textile traffic is a short lead traffic best suited to road transport. However, for textile traffic from Nagpur, freight forwarder schemes from Nagpur to New Delhi, Madras and Bombay had since been introduced.

(iii) Survey of industries Chinchwad-Pimpri-Bhosari areas near Pune was carried out in August-September 1973. According to the report of

the survey team, there was considerable diversion of high rated traffic from rail to road due to operating restrictions imposed from time to time on supply of wagons and loading of traffic. There were complaints from traders against longer transit time, irregular supply of open wagons for crane traffic and non-availability of cranes of capacity higher than 20 tonnes. The Survey team recommended replacement of the existing 20 tonnes fixed crane by a crane of higher capacity and to introduce the scheme of street collection and delivery of traffic in the area.

The Railway Board stated (February 1977) that operational restrictions had been imposed in public interest; street collection and delivery services had been introduced in Pune City; installation of a higher capacity crane had been considered but rejected; a container service between Pune and Madras was operative.

The measures taken by the Railway Administration to retrieve the traffic diverted to road does not seem to be effective as only 1,506, 1,589 and 1,233 wagons were booked from this area during 1973-74, 1974-75 and 1975-76 respectively against 1625 wagons in 1972-73.

(iv) The survey of Faridabad-Ballabgarh Industrial Complex undertaken during March-April 1973 disclosed that difficulties were experienced by trade due to frequent restrictions on booking of traffic by rail, irregular and erratic supply of wagons, detentions at originating points *en route* etc. Though Faridabad had been declared as restriction-free station from June, 1971, a number of restrictions were imposed on this Goods shed causing hindrances in the free movement of traffic. The existing terminal facilities were also considered to be inadequate.

The Railway Board stated (February 1977) that operating restrictions had to be imposed in public interest and that proposal for augmenting terminal facilities had to be dropped due to difficult ways and means position and heavy cost involved. The Railway Board also stated that suggestions made by the trade to improve loading, unloading and storage facilities and to introduce a scheme of guaranteed clearance, removal of operating restrictions, etc., had been implemented. However, the traffic booked in this section declined from 14,506 wagons in 1973-74 to 10,340 wagons in 1975-76.

(b) *Eastern Railway*

Two industrial surveys and six road surveys were carried out on this railway during 1972-73 to 1975-76. According to the report on the survey made in the industrial area at Durgapur during January, 1976, the major portion of the products of industries situated at Durgapur, such as alloy steel, cast iron, steel spring, chemicals, gas cylinders, electrodes, etc., were moving by road to far off destinations like Madras, Bangalore.

Bombay, Faridabad, Delhi etc. The diversion from rail to road was attributed to (a) longer transit time by rail (b) imposition of restrictions (c) non-supply of empties (wagons) (d) loss due to pilferage *en route* and (e) delays in settlement of claims for losses and damages to consignments. In a majority of the cases the transit time taken by the Railways was 2 to 3 times more than that by road. The transit time to Madras etc., had increased from about two weeks to 3-4 weeks.

The Railway Board stated (February 1977) that the constraints mentioned above are a story of the unfortunate past through which the Eastern Sector had to pass. It is a fact that transit time from Durgapur to destinations in South by road is better than by rail. However, the efforts of the Marketing and Sales Organisation since the promulgation of Emergency had succeeded in securing additional traffic from accredited customers.

(c) *Southern Railway*

During the years 1971-72 to 1975-76, fifteen road surveys were undertaken by the Marketing and Sales Organisation of Southern Railway. The survey reports generally contained particulars of traffic that moved by road, loads carried, etc. Based on the reports of the survey, canvassing is stated to be done by the commercial officials with the consignors and consignees of goods which are considered susceptible of diversion to rail.

(d) *Northern Railway*

(i) Between 1970 and 1973, twelve commodity surveys, eleven road surveys and five industrial surveys were undertaken. The survey undertaken in December 1973 related to Industrial Estate, Okhla. The Survey Team in its report attributed diversion of traffic from rail to road to delays in supply of cranes inadequate terminal facility at Okhla Station and belated clearance, ranging from 3 days to 7 days and above, of originating traffic. An additional crane is stated to have been provided for. However, the terminal facilities are still (October 1976) to be improved.

The Railway Board stated (February 1977) that the following action had since been taken by the Railway:—

- (i) an additional crane had been provided;
- (ii) a new pilot train had been introduced to expedite clearance of wagons awaiting despatch;
- (iii) some important customers in the Okhla Industrial Area had been brought on the container circuit; and

- (iv) **Quick transit service had been introduced from Okhla to Bombay (Carnac Bridge).**

Augmentation of the terminal facilities at Okhla could not, however, be taken up since the question of an underground railway for the metropolitan area was under consideration.

(ii) The road survey undertaken in July 1974 at the terminal tax barrier between Uttar Pradesh and Bihar border near Mughalsarai revealed that during three days of survey, 840 trucks loaded with goods weighing 78,653 quintals (approximately) passed through the check-post; of these, 744 trucks carried goods weighing 73,912 quintals for distances beyond 300 kms. The traffic, mostly originating from places in Delhi, Moradabad and Allahabad Divisions of Northern Railway, was high rated traffic like carpets, iron and steel, cement, glassware, aluminium, spirit, alcohol, etc., and accounted for about 40 per cent of the total traffic carried by road. The diversion of traffic to road was attributed in the survey report mainly to operating restrictions imposed by the Railway Administration from time to time.

The Railway Board stated (February 1977), that operational restrictions had to be imposed from time to time as the conditions warranted.

(c) South Eastern Railway

During the period 1971-72 to 1975-76 South Eastern Railway Administration conducted four road surveys at Kolaghat checkpoint (two in January-February 1973 and December 1973 and the other two in April and September, 1975). These surveys revealed that the principal commodities carried by road to and from Calcutta were machinery parts, tea, medicines, cotton piece goods, electrical goods, paints, aluminium products, iron scrap, etc. It was found that traffic to Madras and Tatanagar were moving by road mainly because of cheaper freight rates by road which were inclusive of door to door service, saving in transit time and imposition of frequent restrictions for booking of goods rail. Booking of goods from Shalimar Station to Madras only on nominated days also contributed to diversion of traffic to road. Shortage of covered wagons was also found to be one of the reasons of diversion of traffic to road.

In order to capture traffic from Shalimar to Salt Cotours (Madras), the South Eastern Railway Administration engaged freight forwarders for transportation of traffic by rail in "smalls" in conventional wagons; but it was observed in the road survey carried out between 4th and 7th September 1975 that some of the freight forwarders transported such traffic by road to Madras instead of offering it to the Railways.

(f) Western Railway

During the period 1971-72 to 1975-76, ten road and five industrial surveys were conducted at important traffic outlets in ten cities-Bombay (Bassein creek), Jaipur, Bhilwara, Vadodara, Bharuch, Ahmedabad, Ajmer, chotila (Rajkot Division), Kota and Surendranagar. The survey teams did not make any recommendation except in the case of surveys at Bombay and Jaipur. In the case of the former, the Divisions were advised in February 1972 to find out ways and means for attracting traffic to rail and to examine the feasibility of running of point to point specials, loading on nominated days, provision of Railway Protection Forces' escorts and quoting of special rates. At Jaipur it was found that the traffic to Bombay was in "smalls" and for securing it the survey team felt that introduction of quick transit service was needed.

The Railway Board stated (February 1977) that the suggestion regarding introduction of quick transit service from Jaipur to Bombay for "smalls" traffic could not be implemented due to break of gauge involved.

Surveys of industrial areas at Vapi, Vallabhvidya Nagar, Dewas, Udhna and Gandhidhar were conducted during 1974 to 1976. The bulk of the products of industries at Vapi, Vallabhvidya Nagar, Dewas and Udhna ranging between 70 per cent and 96 per cent, were found to be moving by road. Non-availability of wagons, excessive transit time by rail and more incidence of damages in transit were found by the survey team as the contributory factors for less traffic by rail.

[Sub-paras 8.50 & 8.51 of Paragraph 8 of the Report of C. & A. G. of India for the year 1975-76, Union Government (Railways)].

1.206. According to the Audit Paragraph an important function of the Marketing and Sales Organisation is to undertake commodity-wise pattern of traffic moving by road and the points between which this traffic moved with a view to assessing as to which of this traffic could be brought to railways with advantage. As to the scope and utility of such surveys, the Ministry of Railways have in a note stated:

"It is submitted that the scope of surveys undertaken by the Railways is limited to assessing the pattern and quantum of traffic moving by road on certain important routes with a view to deciding whether such traffic can be brought to the Railways profitably. These surveys are more in the nature of fact finding studies.

1.207. During evidence before the Committee, the Member Traffic stated as follows in regard to the scope of these surveys :

"It has its limitations. We try to get as much information as possible at the Nakas and Toll points. But we have no legal

right to demand the information like 'from whom, to whom, transit time etc.' Whatever information we are able to collect, we collect and based on that, we go further in the subject."

1.208. When asked what kind of information was being collected through these surveys, the Member Traffic stated during evidence:

"Generally, they (the road hauliers) show us the challan from which we get an idea of what commodity is being carried, from whom and to which place. They do not give the transit time; we do not know the rates. Whatever information we are able to get gives us some idea. That is the starting point for us to contact the people and to induce them to use the rail transport. They give us the offers made by the road operators and start bargaining with us as to at what rate they will give traffic."

1.209. As to the follow-up action taken on these surveys the Ministry of Railways have in a note stated:

"After every road survey the description of the traffic carried, the name of senders and consignees, originating and terminating stations and the rate at which the traffic being carried are all analysed in the headquarters' Marketing and Sales Office with a view to decide on the steps to be taken to attract the traffic, specially high yielding traffic. With the information available the following action is usually taken after every road survey:

1. Special stations to station rates are quoted, where necessary, to compete with the road rate particularly in respect of high valued traffic;
2. consignees, particularly the big firms are personally contacted by officers and inspectors to canvass for the traffic assuring them speedy transit and quick delivery;
3. special collection and delivery services are organised at important points, opening new mobile booking officers, container terminals and other special services to enable door-to-door delivery;
4. the frequency of super express goods trains is increased from once a week to twice or even 3 times a week or even on daily basis depending on the availability of traffic on the concerned sections. These specials are specially monitored in divisional and headquarter control offices, and sometimes

if the traffic carried so warrants inspectors are deputed to travel from the starting to destination station to ensure quick and safe transport of the goods carried by the super fast trains;

The above are some of the measures taken at the end of every road survey."

1.210. On being asked as to what was the method followed in doing these road surveys, the Committee were informed during evidence that these surveys were done by the out-door inspectors. Inspectors were being posted at check-post wherever the trucks stopped for paying toll or taxes and they were able to collect necessary information. In this connection, the Chairman, Railway Board stated:

"It may not be precise information. But we get some indication. They do know that "X" sends a commodity to "Y". Then they are able to take the lead and follow it up to whatever extent they can. This is one method of finding information."

1.211. Asked whether the survey teams were supposed to make some recommendations, the Member Traffic stated:

"It is only a team of inspectors to get only the background data."

1.212. The Committee desired to know whether the utility of the survey undertaken by the Railways has been evaluated. In a note on the subject, the Ministry of Railways has stated:

"With regard to the evaluation of the utility of the surveys undertaken by the Railways, it may be explained that such surveys provide basic material for the Railways enabling them to make an analysis of the traffic moving by road between each pair of stations with a view to deciding the steps to be taken to attract more traffic specially high yielding traffic."

1.213. An analysis of some of these survey reports, prepared by various Zonal Railways, made by Audit revealed that these reports did not contain essential data namely transit time taken by road hauliers, freight charges etc. Explaining the reasons for this, the Ministry of Railways have, in a note, stated:

"At the outset, it should be clarified that the surveys undertaken by Railways are limited in scope and provide only the basic material necessary for ascertaining the type and trend of traffic moving by road, such surveys are not intended to be very detailed as such full-fledged surveys to be very effective would

required a large contingent of staff besides preplanned elaborate organisational arrangements. The scope of the surveys undertaken by the Railways is thus limited to the extent of having an idea of the traffic moving by road with a view to finding out whether such traffic can be brought to the Railways profitably.

In the context of surveys undertaken by the Railways on important truck routes, it may be mentioned that the intensity of flow of trucks on highways is so high that in the normal course, a long queue of trucks is formed even while recording the minimum necessary information. The trucks crew *viz.*, Drivers and cleaners are generally either illiterate or semi-literate and they do not cooperate in furnishing correct and reliable information and on the contrary suppress it. In a number of cases the truck crew carries with it only transit invoices/challans from one office of transport companies to their other office showing only the number of packages without indication of freight charges and names of the actual consignors and consignees. It is found to be very difficult to collect all the details from even the literate drivers as long queues are formed and the truck drivers become restive, to resume the journey. Further, detention to trucks caused due to verification of documents and taking down records create several other problems like traffic jams on the highways especially during the peak hours, confrontation with survey staff etc. Thus the survey team has to work under considerable strain and stress.

In the circumstances, details like transit time, freight charges by the road hauliers generally do not find a place in the survey reports. However, particulars of transit time by road are advertised frequently by many road transport operators in the leading newspapers, commercial journals etc. and the railways make use of such information. Other relevant details are ascertained by discreet enquiries."

1.214. In reply to a question as to why these Survey Reports did not contain any recommendations about the measures necessary to attract the traffic to Railways, the Ministry of Railways have, in a note stated:—

"The survey reports generally do not contain specific recommendations/suggestions as considerations on which road transports generally preferred are well known and further since the surveys are undertaken only with a view to collecting certain basic statistical data. Though all possible measures are being taken by the Railways to effectively compete with road transport."

transport especially on the principal routes, there are certain factors largely responsible for diversion of traffic to the road.

- (a) Door to door service at any time during day and night at the convenience of the party.
- (b) No rigidity of rules like railways in acceptance, movement and delivery of traffic.
- (c) Loading/unloading operations are undertaken by road operators by their own labour.
- (d) Credit facility on long term basis for important customers.
- (e) Granting reduction in the freight bill itself on the spot in some cases.
- (f) Speedier transit, as compared to rail which is preferred by trade to maintain low inventory and thus avoiding blocking of capital for long period."

1.215. The Committee were informed that no specific guidelines had been laid down by the Railway Board for conducting such surveys as the procedure to be adopted and material to be collected differs from area to area.

1.216. The Indian Institute of Management, Ahmedabad who had made a review of the working of the Marketing and Sales Organisation the Western Railway, has in relation to the market surveys and research have made the following observations in their study:

"One of the important responsibilities of M.&SS's Organisation is to conduct market research on specific problems. Studies on road competition, movement of certain commodities and surveys in industrial estates for understanding business potential have been conducted by the inspectorate staff of the organisation from time to time. Effective marketing research for problem solving requires a training in methodology, data collection and analysis techniques which have not been provided to this staff. To expect them to do a professional job in this area is asking too much from them. Use oriented problem solving research would require trained personnel with background and experience different than presently available in the organisation."

1.217. The Committee note that an important function of the Marketing and Sales Organisation is to undertake commodity/road surveys to ascertain commodity-wise pattern of traffic moving by road and the points between which this traffic moved with a view to assessing as to which of this traffic could be brought to Railway with advantage. The objectives appear to be

laudable but the scope and utility of these so-called surveys is only limited. According to the Member Traffic these surveys are in the nature of 'fact finding studies'. It has been further stated that "such surveys are not intended to be very detailed as such full fledged surveys to be effective would require a large contingent of staff besides preplanned elaborate organisational arrangements."

1.218. From the information made available to the Committee, they get an impression that some outdoor inspectors were deployed by the Railways at various check-posts or other points where the trucks stopped for paying toll or taxes and some rudimentary information about the commodities carried by them, the points of origin and destination was collected. An analysis of some of these so-called survey reports has revealed that they contain only a statistical data about the number of trucks moved and nature and quantum of traffic carried by road. They did not contain any information about the transit time taken by road hauliers vis-a-vis by rail between the same pairs of points, freight charges etc. nor did they contain any recommendation of the survey team about the measures to be taken for attracting traffic of that area to the Railways. The Committee fail to understand what follow-up action could possibly be taken on the basis of the incomplete data collected through these surveys.

1.219. The Committee have been informed that no specified guidelines have been laid down by the Railway Board for conducting such surveys. This is, to say the least, most undesirable as one of the most important responsibilities assigned to the Marketing and Sales Organisation is to conduct market research on specific problems. If this is to serve any useful purpose it should be conducted on scientific lines and by qualified personnel, unlike the studies on road competition, movement of certain commodities and surveys in industrial estates which have been conducted hitherto by the Inspectorate staff of the organisation. The Committee would like the Railway Board to make an indepth study of the present system of market research and initiate measures to ensure that these research studies help solve problems and aid in decision-making and formulation of marketing plans and strategies to face the competition from road hauliers.

Rail-Road Coordination

1.220. Road transport has certain inherent advantages over rail transport such as the ability to provide door-to-door service, pick and choose not only the commodities for carriage but also the route and customers and vary rates at will. The Railways, on the other hand, being a nationalised undertaking and a public utility service, have the obligation to carry all

traffic that is offered to them; sometimes even at less than cost as in the case of essential commodities like coal and foodgrains. This situation leads to some of the high rated traffic going over to road. According to the 'Indian Railways Year Book, 1975-76' during the period "1950-51 to 1973-74, while motorised freight and passenger transport increased annually, the Railways' share was reduced to 65 of total freight...with a corresponding increase in the share of road transport. The relatively poor performance of heavy industries requiring transport of bulk commodities, which generate the major part of the Railways' freight traffic, has been the main factor in the Railways' inability to retain their former share of total freight traffic. In addition, because of its inherent advantages, road transport has gradually captured a greater share of the market for high value goods moving over short and medium distances."

1.221. On the question of rail-road competition the Member Traffic observed as under during the course of his evidence before the Committee:—

"I will give some figures to indicate how we are fighting with our back against the well in the matter of competition with the road transport. 20 years back, our roads were bad. Today they are excellent. Several overbridges over some of the big rivers have been built. Today, we have to compete with one of the best road transport in the world. The door to door road service has been developed. If a person has manufactured his goods today, he wants to send it away the same evening; he wants to reach it to the consumer within a day or two and he wants to get his money back as early as possible and roll it on."

In a note, the Ministry of Railways have stated:

"Due to the large investments on the development of road transport and due to liberal issue of inter-State and national permits, road transport has emerged as a strong competitor to rail transport particularly in respect of high rated traffic... Even when only State, Inter-State and Zonal permits were being issued, the road hauliers had been making serious inroads into the railways share of high-profit yielding commodities. With the issue of the National Permits, the competition from road has become all-pervasive and even longdistance high-profit yielding traffic is creamed off by road hauliers. This is a fact after the issue of the National permits."

1.222. During evidence the Committee enquired whether any efforts had been made by the Ministry of Railways to take up the matter regarding

rail-road competition with the other concerned Ministries such as Ministry of Shipping and Transport etc. The Member Traffic stated:

“We did take that up. We are an interested party in seeing that the road transport permits which are given by the road transport authorities are kept down to the minimum. We suggested that we be put on the Committee, but we have been told that, since we are competing party, we cannot be put on the Committee that decides the issue of permits. But we resist tooth and nail where there is something that is going to be competitive with us. But the States are interested in their own revenue and they bring pressure on the Ministry of Transport and Shipping and, therefore, there has been a little more liberal issue of permits than we would like.”

1.223. Referring to the success of the road transport, the Member Traffic has stated in evidence:—

“It is purely because of the efficiency of the road service. They are able to give better rates. We cannot offer any rate purely to compete with them. There was a slight depression in the road transport; they cut down their rates quite considerably in the South.”

1.224. In the same context the Chairman, Railway Board has stated:—

“We try to compete with them on station to station basis, but we never try to cut below our operating costs. As far as the cutting down the rates is concerned, we cannot do that. We have little chance excepting at the ministerial level to coordinate with them. Their overheads are very much less than ours.”

He added :

“They are in the private sector, we cannot stop them. Many manufacturers take the raw materials through the railways and send the finished products through the roads. That is favourable to them. We cannot say that unless the finished goods are moved through us, we would not carry the raw material. We feel that railways and roads should live together.”

1.225. The subject of Rail-Road Coordination had come up for review by the PAC in the past and the Committee had made several observations. Important extracts from these observations are reproduced below :

45th Report of the Public Accounts Committee (1971-72):

“1.71. The Committee find that about Rs. 26 crores have been invested by the Railways in various State Road Transport Cor-

porations primarily with a view to regulate rail-road coordination. Even though the Railways are getting adequate return on their investment in the form of fixed rate of interest, the aim of rail-road coordination has not been achieved. The Committee recommend that the Railway Board should in concert with the Ministry of Transport and State Governments review the position to devise methods for making the Railways participation more effective."

73rd Report of the Public Accounts Committee (1972-73):

"1.13. . . . The Committee would accordingly recommend that Railway Board should in consultation with the Ministry of Transport and the State Government, take necessary measures to ensure that Railways' participation in the State Road Transport Undertakings becomes effective for securing a better rail-road coordination."

77th Report of the Public Accounts Committee (1972-73):

"1.52. . . . An effective coordination between road and rail transports is necessary so that unhealthy competition between these two vital sectors of economy resulting in wastage of national resources is not allowed. The Planning Commission is stated to be already seized of this matter. The Committee desire that in the formulation of plans this aspect may be constantly borne in mind to allow of no distortion."

148th Report of the Public Accounts Committee (1974-75):

"1.119. . . . The Committee's attention has been drawn to the competitive transport situation which has gradually developed in the country. The Committee have always expressed their concern at the lack of a coordinated national integrated transport policy. They, however, regret to find that even though the need for coordination between the different modes of transport is accepted by all, there has been no worthwhile achievement in this direction. This not only involves wasteful competition between the railways and road hauliers but leads to a national waste inasmuch as the rail capacity created at great cost remains unutilised or underutilised in many sectors. It needs no emphasis that proper and effective rail-road coordination can bring more business for the Railways. This happens because the Railways are unable to give full satisfaction to its users. Road transport is always much dearer compared to existing railway rates. In the context of the present day circumstances arising out of the oil crisis, the need for a coordinated national

integrated transport policy has become all the more important and compelling. It will, therefore, be in the fitness of things that this question is considered by Government at the highest level to formulate a clear-cut policy and to evolve a suitable machinery for the effective implementation of the same."

"1.120. The Planning Commission and State Governments may, however, be approached to discourage long distance road transport service in public and private sectors, both for passenger and goods traffic, once the Railways are able to meet fully the demand to the satisfaction of users and respective State Governments."

1.226. In its Action Taken Notes submitted to the Committee in August, 1975, the Railway Board informed as under:—

"The matter is under consideration in consultation with the Ministry of Shipping and Transport and Planning Commission. The final reply will be furnished after the replies are received from them."

1.227. During evidence the Committee enquired whether any progress has been made in this direction. The Chairman, Railway Board has stated:

"The Government of India have formulated a transport policy which is still under discussion between the Ministries concerned. . . . The Ministry of Shipping and Transport is charged with the formulation of a transport policy. They are in close touch with the despatching Ministries as well as with us. We have expressed our views to them."

1.228. In this context, a representative of the Planning Commission has informed the Committee during evidence of the latest position as under:—

"A note was circulated by the Ministry of Shipping and Transport some time back setting out the board guidelines of the coordination policy. This was examined in the Planning Commission closely. In the Planning Commission, we found that there was scope for improving this policy because there were certain contradictions. There were certain areas in the field of transport coordination where more refinement was called for so that transport infrastructure which we have developed in this country, is put to optimum use. This was examined. Thereafter, as you know, various developments have taken place. There has been shift in priorities in the sense that employment-oriented schemes, employment intensive mode of transport and technology, etc. have to be preferred to other areas which are

more modern and this applied more in the field of road transport. All these issues are currently under the examination in the Planning Commission, and it is felt that perhaps the note circulated by the Ministry of Transport would need to be modified. This is a matter which is currently under examination and it is expected that the matter will be sorted out shortly."

1.229. In a note subsequently furnished to the Committee it has been stated:

"The draft National Transportation Policy as circulated by the Ministry of Shipping and Transport in January, 1977 has been revised in the light of comments received from various Ministries concerned including the Ministry of Railways and referred to the Planning Commission who propose to appoint a high power committee to consider various aspects of the draft paper. As per indications the draft policy as modified as per deliberations of the Committee will be circulated to all State Governments for their comments. The final draft incorporating the views of the State Governments will be discussed in one of the meetings of Transport Development Council before it is referred to the Economic Committee of the Cabinet. It is also proposed to place the draft policy as approved by the Economic Committee, on the tables of both the Houses with a view to ascertaining the views of the Members of Parliament. It will thus be appreciated that as per procedure indicated above it will take some time before the final transportation policy is formulated and adopted. It is considered that in the overall interest it is necessary that the National Transportation Policy is finalised expeditiously but no unilateral action can be taken by this Ministry. The observations of the P.A.C. have been forwarded to the Ministry of Shipping and Transport for expediting the finalisation."

1.230. A serious weakness of the Indian transportation system appears to be the lack of coordination between the rail and road systems in the country. The Committee find that there is not only lack of coordination at the national level between the two modes of transport but as a matter of fact there is a severe competition between the two. The road transport has certain inherent advantages over rail transport such as the ability to provide door to door service, pick and choose not only the commodities for carriage but also the routes and customers and vary rates at will. On the other hand the Railways being a nationalised undertaking and a public utility service have the obligation to carry all traffic that is offered to them; ~~even at less than cost as in the case of essential commodities.~~

like coal and foodgrains. As pointed out in paras above over the years the Railways' share of the total freight has continuously gone down and with the diversion of short distance and high profit-yielding traffic to the roads, the Railways have virtually become carriers of only bulk commodities and other long distance freight which the road do not find profitable to transport or which cannot be conveniently transported by road. This phenomenon not only involved wasteful competition between the railways and road hauliers but leads to a national waste inasmuch as the rail capacity created at great cost remains unutilised or underutilised in many sectors.

1.231. The Public Accounts Committee have been repeatedly emphasising the need for an effective rail-road coordination which can be brought about only if there is a national integrated transport policy. The Committee have now been informed that a draft National Transport Policy as circulated by the Ministry of Shipping and Transport in January 1977 was revised in the light of comments received from various Ministries and referred to the Planning Commission who propose to appoint a high power committee to consider various aspects of the draft paper. This draft has yet to pass through various stages before it can take a proper shape. The Committee are constrained to express their dissatisfaction over the delay in finalization of a national transport policy. They would like to once again reiterate that the matter may be considered at the highest level and steps taken to finalise the National Transport Policy most expeditiously.

NEW DELHI;
April 10, 1978.
Chairra 20, 1900 (Saka)

C. M. STEPHEN,
Chairman,
Public Accounts Committee.

APPENDIX I

(See paragraph 1'8)

Present set up of the Marketing & sales Organization on the Zonal Railways

No.	Designation	Grade	Number of Posts								
			Central Railway	Eastern Railway	Northern Railway	N.E. Rly.	N.F. Rly.	Southern Railway	S.C. Rly.	S.E. Rly.	Western Railway
1	Chief Marketing Superintendent	2500—2750	1	1	1	..	..	1	..	1	1
2	Addl. Chief Marketing Supdt.	2250—2500	..	..	..	1	1*	..	1	..	..
3	Marketing & Sales Officer	1100—1600	1	..	..	..	..	..	..	..	..
4	Senior Commercial Officer (M&S)	1100—1600	..	1	1	..	1**	..	..	1	..
5	Asstt. Marketing & Sales Supdt.	650—1200	..	..	1	1	2%	1	1	..	1
6	Chief Commercial Inspector	700—900	3	1	3	..	3@	5	5	..	..
7	Commercial Inspector (Senior)	700—900	..	..	..	2	..	5	..	4	10
8	Commercial Inspector (Junior)	550—750	2	..	5	1	3\$	3	5	4	11
	Do.	455—700	4	6	16	..	6=	8	6	8	6
10	Do.	425—640	..	2	10	1	5+	7	1	2	2
11	Do.	260—430	..	..	9	..	..	..	..	..	..
12	Chief Clerk	550—750	..	1	1	1	1	1	..	1	1
13	Head Clerk	425—700	..	..	..	..	..	..	..	1	..
14	Do.	425—700	2	..	1	..	5	3	..	..	3

15	Senior Clerk	330—560	3	3	3	2	24	10	..	8	
16	Junior Clerk	260—400	5	2	3	2	31	12	..	4	4
17	Stenographer (Senior)	550—750	..	1	..	..	..	1	..	..	..
18	Do.	425—700	..	..	..	..	3	..	..	2	..
19	Stenographer (Junior)	330—560	2	1	..	..	2	1	..	..	..
20	Typist (Senior)	330—560	..	..	..	..	1	1	..	3	..
21	Typist (Junior)	260—400	..	2	..	..	2	2	..	1	1
22	Record Sorter	225—308	..	..	..	..	1	1	..	..	..
23	Daftry	200—250	..	..	..	..	2	..	..	..	1
24	Peon	196—232	2	3	..	..	9	..	..	6	1

* On N.F. Rly., the post is operated as M&SS in the grade Rs. 1500—2000.

** Senior Comml. Officer (Rates).

% One Asstt. Comml. Officer (Rates) and one Asstt. Comm. Officer (Development).
@ Chief Rates Inspectors.

§ Senior Rates Inspectors.

= Rates Inspectors.

+ Asstt. Rates Inspectors.

Notes : There is no separate Marketing and Sales Organisation on the N.F. Railway. No additional posts of Inspectors or ministerial staff have been created for this. The Rates and Development Inspectors are called upon to assist the Marketing and Sales Superintendent as part of their normal duties. No marketing and sales organisation exists on the Divisions and the Commercial Officers are doing the marketing and sales activities as part of their work. However, the post of a stenographers and two peons were created to assist the Marketing and Sales Supdt.

APPENDIX II

(See paragraph 1.8)

The nature of Duties performed by different officers and staff on the Zim Railways.

HEADQUARTERS OFFICE :

(a) *Gazetted*

Chief Marketing Superintendent &
Additional Chief Marketing Superintendent.

- (1) Overall supervision on the functioning of the Marketing Organisation ;
- (2) administrative approval for quoting special reduced rates for container traffic and other conventional traffic;
- (3) approval of Survey Reports of new railway lines on behalf of Commercial Department;
- (4) attending Meetings of the Chambers of Commerce ;
- (5) measures for meeting rail/road competition and effecting co-ordination by attending meetings of State Road Transport Corporations and dealing with matters relating to Central Governments' share of Capital contribution in these corporations ;
- (6) liaison with operating branch in regard to clearance of outstanding demands of traffic;
- (7) planning for procuring additional traffic and catering for the requirements of the traffic already existing;
- (8) tours to areas offering high rated traffic and contacts with important customers offering bulk/high rated traffic;
- (9) fixing quotas for daily loading of High Profit Yielding Commodities and keeping watch on daily loading of certain selected commodities susceptible to diversion to road;
- (10) formulation of Budget Estimates of Traffic earnings of the Railway including August Review and revised estimate and fixing targets for loading/earnings of Divisions;

Marketing and Sales Officer
 Senior Commercial Officer (M&S)
 Asstt. Marketing & Sales Superin-
 tendent.

- (11) proposals for inclusion in works Programme of Traffic facilities Works for Commercial Department.
- } (1) Marketing Research, Prospecting and Development ;
 (2) cost studies with a view to meeting competition from road and securing more rail traffic ;
 (3) introduction of container services etc. and mechanical handling of goods in smalls and parcels.
- (4) quotation of rates for container service to new parties and processing proposals for reduction in rates wherever necessary for retention of their traffic to rail ;
- (5) arranging meetings with the parties in their premises to explain working of these services and assisting them in planning transport of their goods by suggesting measures for reduction in cost of packaging and maximum utilisation of container space ;
- (6) to maintain liaison with Mechanical Department for the purpose of arranging POH and day-to-day repairs and maintenance of rail and road equipmen to of container service comprising of flats, containers, crane and Tractor Trailers ;
- (7) introduction of new services *viz.*, overnight services etc., to improve the quality of service ;
- (8) introduction of quick Transit Services and review of their performance from time to time ;
- (9) opening of halts and out-agencies etc. City Booking offices, street Delivery and collection services ;
- (10) watch on transit delays of Freight Forwarders, Containers, QTS wagons ;
- (11) maintain close liaison with manufacturers and trading interests with a view to ascertain and solve their problems in connection with expeditious and safe transportation of their goods by rail;

- (12) to investigate the feasibility of introduction of F.F. Scheme on new routes depending upon the traffic potential, to keep a watch on loading by Freight Forwarders and to review the scheme periodically for revision of rates as and when necessary keeping in view the economics of operation vis-a-vis the rates of road hauliers;
- (13) prospecting traffic for special type of coaching stock like Refrigerated vans, Motor vans and keeping special watch on their loading and movement ;
- (14) keeping a watch on running of Super Fast Express trains.

(b) *Non-gazetted*

Chief Commercial Inspector

Commercial Inspector

Marketing and Sales Inspector

- (i) to maintain contacts with firms, private and public sector commercial undertakings in order to prospect traffic for movement by rail ;
- (ii) processing of proposals for quotation of rates to new parties for container service ;
- (iii) examination of proposals for introduction of Freight Forwarder Scheme;
- (iv) review of (a) rates quoted to various parties for container service ; (b) Freight Forwarder Scheme from time to time ;
- (v) preparation of Project Reports/Revised Project Reports and annual financial appraisals of container services ;
- (vi) watch on day-to-day loading and transit of containers and Freight Forwarder wagons ; and
- (vii) functions assigned from time to time in regard to various marketing activities indicated above against the duties of officers ;

Head of Section Senior Clerks, Junior Clerks, Stenographers, Peons.

- (i) Notes on the activities of marketing and sales organisation ;
- (ii) preparation of Monthly Appreciation Reports to Board;
- (iii) formulation of Annual Financial Review of "Uneconomic Branch Lines";
- (iv) correspondence, maintenance of statistics, compilation of periodical reports and routine office work.

*On Divisions***Marketing & Sales Inspectors**

To maintain contacts with firms and other private/public sector undertakings with a view to prospect traffic, specially high rated for movement by rail jurisdictions of most of the Inspectors have been earmarked area-wise, but the Inspectors are also assigned any duty in regard to various marketing activities indicated against the duties of officers.

APPENDIX III

(See Paragraph 1.151)

Specific reasons for shortfall in the actual loadings compared to the targets in respect of services between seven pairs of container services.

The specific reasons for shortfall in the actual loadings compared to the targets in respect to the seven pairs of points in question are given below duly indicating the targets, wherever revised.

(1) *Carnag Bridge—Asarva Service*

(i) Negligible loading was done by M/s. Burma-Shell, M/s. Hindustan Lever Ltd., and M/s. Indequip Pvt. Ltd., compared to the traffic anticipated from them. The reasons for this are:—

- (a) cut-throat rate reduction by road hauliers;
- (b) overnight service by road hauliers compared to 3 to 4 days by rail;
- (c) avoidance of octroi problem by bringing the goods by road to godowns outside the Municipal limits of Ahmedabad;
- (d) reduction in road distance by 20 kms. after opening of Bassein Creek Bridge in January, 1972;
- (e) opening of Koyali refinery Gas Plant, which eliminated traffic from Burmah-Shell Refinery.

(ii) Extensive breaches on the main line of Baroda Division in July and August, 1972 (when loading had to be suspended for 24 days) and again in September, 1973.

(iii) Imposition of curfew in Ahmedabad from December 1973 to March, 1974.

It is proposed to close down this service if efforts to rejuvenate it do not succeed by 31st March, 1978.

(2) *Carnak Bridge—Kota Service*

Mainly imported wood pulp traffic was carried in containers ex. Carnac Bridge to Kota for M/s. Sriram Rayon and in the return direction they were carrying the synthetic yarn from M/s. J. K. Synthetics and other general goods. While the traffic of imported pulp in containers increased from 723 containers in 1975-76 to 917 in 1966-77 the traffic in return

direction came down from 686 containers in 1975-76 to 271 containers in 1976-77 because the loading by M/s. J. K. Synthetics who used to load about 60 containers per month in 1975-76 came down to 12 containers per month during 1976-77. The main reason for this reduction is wide fluctuations in synthetic yarn prices in the market, due to which they wanted quicker transit by road in smaller units. They were also not in a position to build up sufficient stocks to move them by rail due to creditequeese.

(3) *Salt Cotaurs—Bangalore Cantonment Service*

(i) M/s. WIMCO/Madras who were expected to load 258 containers had to be dropped as their godown at Bangalore was found to be inaccessible to the tractor-trailer combination.

(ii) M/s. I.T.C. Ltd., and M/s. Britannia Biscuits Co., who were expected to load 800 and 100 containers respectively per annum did not avail of the service as their despatches were in small lots and the movement by road was cheaper and faster.

(iii) M/s. Kirloskar and M/s. Mysore Electrical Industries Bangalore who were expected to load 120 containers and 60 containers respectively did not avail of the service in the absence of 'top opening containers'.

(iv) M/s. MICO, who earlier agreed to load 180 containers per annum, declined to avail of the service on the plea that their equipments were being tested on certain road vehicles and they had to patronise those road services.

(v) M/s. Mysore Vegetable Oil Products, who were expected to load 180 containers did not avail of the service on account of very low rates offered by the road operators.

(vi) Traffic from M/s. United Breweries Ltd. and M/s. Mc Dowell & Co. declined considerably after the reintroduction of prohibition in Tamil Nadu in September, 1974.

The road services on this route is very well organised and the delivery by road is overnight at much cheaper rates. Hence, it is not possible to operate this service successfully and it has been decided to merge this service with Bangalore/Salt Cotaurs—Shalimar service.

(4) *Pune—Salt Cotaurs Service*

Out of nine parties prospected at Pune to offer 910 containers per year, most of them backed out totally due to fall in demand and diversion

to road on account of very low rates quoted by road hauliers. These parties are:—

- (i) M/s. Sandwick Asia Limited
- (ii) M/s. Matchwell
- (iii) M/s. Sudershan Chemicals
- (iv) M/s. India Cables
- (v) M/s. Great Foseco.
- (vi) M/s. David Brown & Co.
- (vii) M/s. Beck & Co.
- (viii) M/s. Philips; and
- (ix) M/s. J. G. Glass Works.

M/s. Kirlosker Oil Engine Ltd. stopped loading containers to Madras on account of fall in demand of their oil engines in the southern area. M/s. Dunlop India Ltd., M/s. T. I. Cycles and M/s. Forge Drop & Stampings Ltd., who were prospecting to load 480, 60 and 20 containers per annum did not give much traffic except M/s. T.I. Cycles.

As the prospects of any appreciable improvement in loading on this service are not bright, it has been decided to merge this service with Wadi Bandar—Salt Cotaurs container service.

(5) Salt Cotaurs—Wadi Bandar Service

1. Burmah-Shell (Agents M/s. Poppat Jamal & Sons., Madras) who were expected to load 1296 containers of empty LPG cylinders per annum availed of the service up to November 69 only. After setting up of the factory at Madras, this traffic has completely stopped.

2. M/s. Dunlop India Ltd., who were expected to load 500 containers per annum are now despatching their goods mainly by wagons to Bombay.

3. Loading by M/s. ITC Ltd. has progressively come down due to lesser demand of these products in Bombay area.

4. M/s. Tata Oil Mills, Madras, M/s. Chesborough Ponds Inc. and M/s. Indian Oxygen Ltd. have since switched over to road due to cheaper rates offered by them and on account of quick transit.

On the basis of the project report based on the traffic offering, the target for loading Ex. Salt Cotaurs has now been scaled down from 1800 to 1500 containers per annum.

Loading of containers from Wadi Bandar to Salt Cotaurs was near about the target in 1971-72 and in 1975-76 and in 1976-77. Specific reasons for drop in loading during 1972-73 and 1973-74 are as follows:—

- (a) dislocation of train service on Southern and South Central Railways between November, 1972 and March, 1973 due to Mulki Rule agitation;
- (b) mass absenteeism on Southern and South Central Railways in September, 1972;
- (c) Loco staff strike in August and December, 1973;
- (d) agitation on Sholapur Division in September, 1973.

(6) *Yashwantpur—Wadi Bandar Service*

i. Despatch of LPG cylinders from Bombay to Bangalore and empty cylinders in the return direction has completely stopped after setting up of the refinery at Manali, Madras. This has affected the loading to the tune of 900 containers per annum, which were being loaded by M/s. Burmah-Shell and M/s. ESSO.

ii. M/s. Mysore Electricals who were expected to load 240 containers are patronising road services because their equipments are being tested on road vehicles.

iii. Bangalore to Bombay is an empty direction for the road operators and, therefore, they are offering very low rates to attract traffic. The roads are good and the transit time is quick. So they have been able to take away the traffic of M/s. ITC Ltd., M/s. Mangaram & Sons. and K. S. Subbiah Pillai who were earlier utilising containers.

Fresh project reports have been prepared and the target has now been fixed at 1600 containers as against the existing target of 1662 containers.

(7) *Wadi Bandar—Secunderabad Service*

There was a drop in loading in containers from Secunderabad after 1975-76 due to:—

- (i) M/s. Wazir Sultan Tobacco Ltd., who used to load 40 to 50 containers a month, have stopped loading due to change in their distribution pattern.
- (ii) M/s. Hind Electronics, Secunderabad, who were loading about 40 containers a month, switched over to road because Railways are not in a position to quote rates comparable to road rates.

- (iii) M/s. Laxmi Starch, one of our major customer in the area, had a series of internal trouble in the factory due to which loading by them was considerably less.

A target of 1800 containers per annum on this route included traffic in LPG cylinders from M/s. Bharat Refineries to the extent of 732 containers. This traffic has completely gone over to road because while the truck takes just about five days of the round trip from Wadi Bandar to Secunderabad with loaded cylinders and back to Bombay with empty cylinders, it takes more than 5 days for one way journey by rail, as there are four marshalling yards en-route viz., Pune, Dhond, Wadi and Vikrabad.

The revised project report has now scaled down the target from 1800 to 900 per annum.

APPENDIX IV

Conclusions/Recommendations

S. No.	Para No.	Ministry/Deptt. concerned	<i>Conclusions/Recommendations</i>
1	2	3	4
1	1.34	Railways	<p>The charter of duties assigned to the Marketing and Sales Organisation appears very comprehensive and covers a wide range of activities. According to the Chairman, Railway Board, however, the "Commercial responsibility was entirely with the Chief Commercial Superintendent". The Marketing and Sales Organisation was there 'only for the purpose of specialisation in certain areas'. The Committee are, however, distressed to know that even in these limited areas the performance of the Marketing and Sales Organisation had not been up to the mark. The Institute of Management, Ahmedabad, which had conducted the review of the working of the Marketing and Sales Organisation of the Western Railway had noted a number of deficiencies in the working of the organisation as follows:—</p> <ol style="list-style-type: none"> 1. While the increase in share of high rated traffic in the total earnings can be attributed in some implicit way to the effectiveness of the new organisation it was difficult to define explicit relationship between these two factors in the absence of quantified goods and traffic set up for the short and long run.

2. Whatever Customer contacts exist at present are primarily in the nature of problems solving with little servicing, prospecting and marketing development work. Customer development work in the field of container service was the only exception which also has been substantially cut down because of railway's inability to meet the demand that has been generated for this service.
3. Routine paper work and a wide charter of operation has led to a casual attention being paid to the vital task of marketing.
4. The Marketing and Sales Organisation in its 5 years of existence has only made a small beginning making the railways market and customer oriented.

The findings of the Institute of Management apart, it is evident from the figures of high rated/profit yielding commodities and total revenue earning traffic that the quantum of high rated traffic during the last 5 years from 1972-73 to 1976-77 has been only between 11.3 to 13.6 million tonnes accounting for 6.45 to 6.40 per cent of the total revenue earning traffic. The Committee could well appreciate this meagre share in the total revenue earning of the railways if the traffic was handled by the normal and conventional commercial organisation. But the Marketing and Sales Organisation has been in existence from the year 1967-68, *i.e.* nearly for a decade and one would expect that a public relations or catalyst organisation like the Marketing and Sales Organisation showed better results.

- 3 1.36 Do. The Railway Board has claimed that the expenditure on this Organisation is a very meagre amount. The Committee would like to point out that the totality of the situation is that besides incurring expenditure on this organisation the railways offer a number of other concessions under the freight forwarder scheme, container services, station to station rates and quick transit service. The Railway Board should therefore ensure that the objectives with which a separate organisation *i.e.*, the Marketing and Sales Organisation was created, have been achieved.
- 4 1.37 Do. One of the main functions of the Marketing and Sales Organisation was to maintain close liaison with manufacturers and trading interests and to ascertain and solve their problems in connection with expeditious and safe transportation of their goods by rail by improving the quality of service. The Committee have been informed that this organisation had made 4114 and 4585 contacts with private parties and Government/Semi-Government and public undertakings during the years 1975-76 and 1976-77 respectively. From the list of duties assigned to the various categories of personnel in the organisation it would appear that these contacts are being made by the junior rank officers such as junior Commercial Inspectors. The Committee are of the view that if Railways are earnest in establishing business contacts through proper salemanship techniques, the present pattern of staffing of the organisation needs a thorough reappraisal.
- 5 1.38 Do. The Committee were surprised to find that so far no special attention has been paid by the Marketing and Sales Organisation of the Railways to the specialised traffic of Government Departments and Public Undertakings. Even though the Government Departments had instructions to

use the Railways for their transportation needs, as this is by far the cheapest mode of transport for the long distance in any case, the freight of these departments has not always been carried by the Railways. A case in point is the transportation of copies of Delhi Telephone Directory from Calcutta by the road hauliers. Another example is transportation of cement where the Member Traffic had himself admitted that the required quantity was not moving by rail. The Committee cannot but emphasise that the Railways should direct their attention in this direction as the Government Departments and Public Undertakings are by no means small users of transport facilities. It is unfortunate that the Railways have not tried to attract the traffic of Government Departments/Undertakings to the extent desirable.

The other principal objective of the Marketing and Sales Organisation is to improve the quality of service to their customers and for that to plan and provide inter-modal services combining the advantages of rail and road transport like freight forwarder service, container service and quick transit service. The Committee have dealt with the functioning of these specific services in the later sections of this report. A general review of the different services, however, reveals that no targets and specific goals in relation to these services have been set down. In the absence of these targets and specific goals it is generally impossible not only to measure performance but also to locate or define problems as they arise in day-to-day operations. The Committee would like to point out that considering the enormous scope for expansion of these services, the

Railways will have to step up their marketing and sales promotion activities in this field considerably. It needs hardly any emphasis that Railways can attract additional traffic only by refurbishing their image as a reliable, dependable and efficient mode of transport at competitive rates.

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Do.

Yet another task before the Marketing and Sales Organisation is to keep a watch on the loading of high profit yielding commodities and to take up measures to arrest the effect of rail-road competition and to have co-ordination between rail and road transport. They have also to undertake marketing research, prospecting and development and commodity/road surveys to ascertain commoditywise pattern of traffic. The Committee find from the review of the Institute of Management, Ahmedabad on the Marketing and Sales Organisation of the Western Railway that precious little has been done in the field of planning of work for the overall marketing strategy, and for strengthening of specific services and integrating them into an overall plan. The organisation had set no targets for itself or for the Divisions. Even information about total market size and Railway's share in it, which is so vital for planning work, was found to be missing in the work of the organisation. The Committee feel that enough and serious attention has not been paid to the working of the organisation and its results.

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The Committee learn that during the last 2 years (1975-76 and 1976-77) four meetings were held by the Railway Board with the Chief Marketing and Sales Superintendent of all the Railways. It is stated that during these meetings achievements of the Organisation were reviewed and the scope for further improvements spelt out. But the review conducted by

the Indian Institute of Management Ahmedabad in respect of the Western Railway in 1970 had pointed out that (i) barring a few exceptions, initiative for most of the marketing schemes came from Members of the Board at such meetings and Marketing and Sales Superintendents then took on the job of proposal preparation and if approved implementation thereof; (ii) there appeared a tendency in such meetings to push all Marketing and Sales Superintendents to implement schemes or work on proposals which were found successful on any one zone without any proper study of the conditions obtaining on other zones. The Committee feel that if the Railways have to have its rightful share of the high profit yielding traffic the Board will have to motivate the Chief Marketing Superintendents to come forward with new innovations and the Board will have to most actively monitor those schemes.

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Railways

In the light of what has been stated above, the Committee cannot but conclude that functioning of the Marketing and Sales Organisation of the Railways needs to be properly evaluated with a view to streamlining it.

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Do.

The Committee note that one of the main functions of the Marketing and Sales Organisation of the Railways is to keep a watch on the loading of high profit yielding commodities. As a matter of fact the total efforts of this organisation are directed towards this end. Despite this the Committee regret to find that over the years the Railways have not been able to wean away this traffic from the road hauliers. The analysis made

by Audit of high profit yielding commodities carried by rail has revealed that the Railways have not only failed to capture additional traffic but have also been unsuccessful in retaining the existing traffic. The quantum of and earnings from high rated profit yielding commodities on which the Organisation is required to keep a special watch have shown a down-ward trend over the last five years. During 1971-72, when the Organisation was keeping a watch on loading of 47 commodities, the tonnage originating was 11.4 millions constituting 6.70 per cent of the total revenue earning traffic and 15.99 per cent of earnings. while in 1975-76 when the number of high rated profit yielding commodities had been raised to 80, the quantum of traffic was only 13.5 million tonnes constituting 6.86 per cent of total revenue earning traffic and 13.95 per cent of earnings. In regard to the prospects of attracting more high rated traffic to the Railways the Chairman, Railway Board had in his evidence before the Committee stated:

“We do feel that the Railways will lose more and more of high-rated commodities to the Roads.”

The Committee feel concerned about this situation.

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It has been conceded by the Railway Board that the proportion of these commodities to the total revenue earning commodities both in quantum and earnings has come down gradually. Over the years the railways have increasingly become carriers of low rated bulk commodities like coal, iron ore, cement, foodgrains etc. A very large proportion of the revenue earning traffic of the Railways thus consist of bulk commodities moving on a programmed basis; the movement of which is done sometimes even at

the cost of more profit earning commodities. An analysis of the quantum of the high freight yielding commodities carried by the Railways during the years 1971-72 to 1975-76 *vis-a-vis* the total revenue earning traffic of the Railways indicated that (a) the share of the high freight yielding commodities in the total revenue earning traffic of the Railways is a small percentage of the total *viz.* 6.70 per cent in 1971-72, 6.48 per cent in 1973-74, 6.86 per cent in 1975-76 and 6.40 per cent in 1976-77; (b) the percentage of earnings on the high freight yielding commodities to the total revenue earning traffic ranges between 15.99 in 1971-72 to 13.95 in 1975-76. Thus a very small percentage of high rated/profit earning traffic of the railways fetches a comparatively much larger share of the earnings and thereby makes an important contribution to the Railway revenues. This clearly highlights the need for careful planning and marketing strategy development for attracting more high rated traffic which in fact is the only hope for the survival and growth of the Indian Railways in case they do not want to become a liability on the Public Exchequer.

The Committee were surprised to learn that the marked deterioration in the loading of high profit yielding traffic over the years on different Railways was *inter alia* attributable to the restrictions imposed on booking of traffic on account of operational difficulties and inadequate supply of empty wagons particularly covered wagons. It is a little ironical that on the one hand the Railways are making all-out efforts to retrieve the lost

traffic and to secure additional traffic on the other hand they do not pay sufficient attention to ensure that the high rated traffic was exempt from normal operational restrictions and demand for covered wagons for loading such commodities is fully met. This indicated that there is no coordination at a fairly high level in the organisation between operating commercial and marketing activities of the Railways. This situation needs to be remedied in the interest of attracting more high profit yielding traffic.

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-Do-

According to the findings of the Indian Institute of Management, Ahmedabad, which had studied the functioning of the Marketing and Sales Organisation on the Western Railway, the failure of Railways to attract enough of the high rated traffic in competition with truck transport can be traced to poor planning enforcement of an unrealistic priority system, faulty pricing policies, lack of an effective selling and servicing organisation, ineffective information system, an overall poor image of the Railways as a dependable mode of transport with customer interest as the 'heart' of the system and relegated status assigned to commercial wing of the organisation. The Institute's study has pointed out that only a small part of the high rated traffic (hardly 2.5 per cent) moved through special services like containers, QTS and the rest of it moved through ordinary system. These observations are of far reaching importance and the Committee would be interested to know what concrete action has been taken by the Railways in pursuance thereof.

1	2	3	4
14	1. 72	Railways	<p>The Committee note that in ordre to retrieve the lost traffic in high rated commodities and to secure additional traffic, Railway Board proposes to take a number of steps. But there appears to be nothing new in those steps and the Committee are therefore doubtful whether those would serve the objective in view. The Committee feel that Railways should in consultation with their marketing experts review the operational aspects so that increasingly more high profit yielding traffic is attractd to the Railways.</p>
15	1. 78	-Do-	<p>The Committee note that in 1971-72 a major portion of tea (which is one of the few selected commodities on which the Marketing and Sales Organisation keeps a watch) produced in the country moved by rail. However, over the years the percentage of the tea traffic moved by rail to the total production of tea had gradually come down from 65 in 1971-72 to 26 in 1975-76. Further, on the Northeast Frontier Railway where a major portion of the tea traffic originates, the drop in the percentage of rail movement is even more pronounced. This figure had come down to 16 in 1975-76 against the figures of 64 and 62 reached respectively in 1969-70 and 1971-72. Explaining the reasons for the drop in the percentage of rail movement of tea it has been stated that the pattern of movement by rail from stations on the Northeast Frontier Railway to Calcutta underwent a complete change with the commissioning of the Farakka barrage in December 1971, because it provided a direct road link with Assam and Calcutta.</p>

-Do-

Although some steps have been initiated by the Railways to capture the tea traffic by ensuring better service to the industry, these, in the opinion of the Committee, are not enough. They desire that the change in the pattern of tea traffic following the construction of the Farakka Barrage be considered as a challenge which has to be effectively met in the interest of Railway revenues. Both short term and long term measures will have to be contrived to recapture this vital traffic. The Committee have been informed that the Railway Board have *inter alia* taken the following steps:—

- (i) The Freight Forwarder Schemes from the tea producing centres to the stations of destination such as Howrah have been introduced.
- (ii) Station to station rates with suitable freight reduction have been introduced to attract more traffic to the Railways.
- (iii) Personal contacts with the planters are being intensified with a view to popularise the new schemes being introduced for the quick transportation of tea by rail.

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The Committee will watch with interest the results achieved in this field.

-Do-

The Committee note that the originating traffic in Rubber tyres and tubes on the Eastern Railway had reached the figure of 34.81 thousand tonnes in 1973-74. But this figure slumped down to 25.41 thousand tonnes in 1975-76. Although the reasons for the variation in the originat-

ing traffic have been attributed to several factors which adversely affected the Eastern Railway's operation, the Committee note that there were certain other avoidable factors, which had an impact on the fluctuations in the originating traffic of Rubber tyres and tubes. These included inadequate supply of empties free from defects, longer transit time and delays in issue of Railway receipts. The Committee see no reason why these largely controllable factors were allowed to have an adverse effect on the originating traffic of tyres and tubes. The Railway Board should work out a plan to ensure that (i) the empties supplied are free from defects, (ii) the transit time of the wagons booked from the siding of the rubber tyre industry in Sealdah area for Bombay is reduced to the minimum and (iii) there is no avoidable delay in issue of railway receipts. The Committee would like to be apprised of the action taken in this behalf.

18. 1-92 Railways

The Committee are unhappy to find that the Railway Administration has almost given up in despair the efforts being made by them for recapturing the traffic in carpets ex-Bhadohi mainly because of the Railway's inability to reduce transit delays and thereby be able to compete with the road hauliers. It is noted that the Railway Administration has been experimenting with different alternatives to regain the lost traffic and have had some limited success also. The Committee are, however, not impressed by the argument that the earlier system of carrying this traffic by passenger train had to be given up as this was operationally not feasible. They are of the opinion that the movement of the high rated traffic which is sine

qua non for augmentation of Railway earnings should, as far as possible, be exempt from the operational restrictions. The Committee trust that more concerted efforts would be made to devise means for providing a more customer-oriented service for the transportation of the carpet traffic.

19. 1.95 —do—

The Committee note that in 1973-74, about 49 per cent of the total production of wool produced in Rajasthan was moving by rail towards Bhadohi for manufacture of woollen carpets. This traffic has continuously gone down with the result that in 1975-76 only 5 per cent of the total traffic moved by rail as against 4 per cent in 1973-74. The reasons for this steep fall in the wool traffic from 49 per cent in 1973-74 to 5 per cent in 1975-76 need to be carefully analysed with a view to taking necessary remedial measures. In this connection, it has been pleaded that the rail routes from Bhagat-Ki-Kothi (the point of origin) to Bhadohi (destination) encounter some transshipment points *en route* and hence the wagons suffer detention of at least 1 to 2 days. The Committee would like the Railways to examine whether the wool wagons cannot be cleared at the transshipment points on a priority basis so that their transit time is reduced. Other effective measures are also needed for retrieval of the lost traffic in wool.

143

20. 1.101 —do—

The figures regarding production of cotton raw (pressed and unpressed) and the quantities moved by rail during 1969-70 to 1975-76, as given in the Audit Paragraph, clearly reveal that the Railways are generally losing ground to the road transport. Whereas the cotton traffic handled by the Northern Railway showed an increase over the years, the traffic originating in Western and Central Railways indicated a marked

tendency towards decrease. The loading on the Western Railway declined from 52 per cent of the total production in 1972-73 to only 15 per cent in 1975-76. Similarly, the traffic declined on the Central Railway over the years. One of the factors responsible for decline in loading of cotton bales in the Western Railway has been stated to be, the declaration of National Emergency in June 1975 followed by credit curbs, disclosure of hidden income and its consequent impact on the commercial and industrial activities. The Committee are unable to appreciate this explanation because the same period on the Northern Railway, there was increase. The Committee feel that this sharp decline in the loading figures should have led the Railways to make a systematic analysis of the reasons for the decline and the remedial steps necessary to be taken.

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21. 1102 Railways

The Committee were surprised to learn that even though the road transport was costlier than rail transport, six to seven lakh bales of fully pressed cotton were moving every year from Maharashtra, Madhya Pradesh and Gujarat to certain mills in Coimbatore mostly by roads because of the quicker transport and door to door delivery. Some steps are stated to have been taken to capture this traffic but they appear to be the routine steps such as keeping a special watch, quoting of special station to station rates, liaison with the concerned organisations/undertakings. The Committee are not satisfied with what the Railway Board have done. They would like to know whether the Railway Board had carried out any in-depth study to find out the precise reasons for the fall in the quantum of

cotton traffic carried by the Railways. The Committee feel that such a study is essential for taking remedial steps for recapturing the traffic and for increasing the share of Railways in this traffic.

22. 1.105 —do—

The Committee find that of the total quantity of tobacco produced in the area served by the Southern Railway only a small percentage was being moved by the Railway. In 1972-73, 4.6 per cent of the tobacco produced in the area was transported by rail. This figure had come down to just 0.47 per cent in 1974-75. In the case of South Central Railway, however, the Railways' share of traffic of Fluecured Virginia Tobacco has been maintained over the years. The Committee would like the Southern Railway to find out the reasons for the diversion of the tobacco traffic to the roads and to take such remedial measures as may be considered necessary to retrieve the lost traffic.

23. 1.107 —do—

The Committee note that as a result of the measures taken by the Railways such as contacting the Fertiliser Corporation of India and assuring them of better service, the rail movement of gunny bags had picked up. This goes to demonstrate that with proper care the Railways can influence the customers and attract more traffic to the Railways. The Committee desire that this should be followed up.

24. 1.130 —do—

The Committee note that Freight Forwarder Scheme was introduced in 1960 in order to cater mainly to 'smalls' traffic bulked into wagon loads, which tends to move away from rail to other modes of transport. During 1976-77, the service was available between 67 pairs of points and the freight earned therefrom amounted to more than Rs. 652 lakhs. Under the scheme approved freight forwarders collect and deliver consignments

from/to the godown of the individual traders at the forwarding and destination stations in 'smalls' and offer them for transportation by rail between specified terminals in wagon loads. The railways on their part quote a lumpsum rate which is attractive to the freight forwarder and there is a guaranteed supply of wagons which are monitored as Quick Transit Service. It is seen that in 1973-74, between 54 pairs of points on which this service was available 15,414 wagons were loaded. In the subsequent two years, viz., 1974-75 and 1975-76, the number of wagons loaded under this scheme were 12,872 and 12,491 respectively although the number of points between which the service was available had gone upto 67 against 54 in 1973-74. The figure of loading in 1976-77 on the same 67 points was 17,888 which is indicative of an appreciable improvement in the performance over the preceding two years. The Committee would like the Railways not only to keep up this performance in future but also take all possible measures to effect further improvement by removing all shortcomings.

25. I-131 Railways.

It has been mentioned that one of the main irritants in developing this traffic is that whereas the freight forwarder has to pay octroi duty the road haulier escapes it. The Committee feel that this matter can be sorted out amicably if a proper approach is made to the local authorities in right earnest.

26. I-132 —do—

The Committee note that a number of incentives were being offered to the freight forwarders for making the service attractive. These, *inter alia*, include facility of 'freight to pay', adjustments in rates, exemption from pay-

ment of wagon registration fee and even relaxation of normal operating restrictions in favour of the freight forwarders. The overall impact of these incentives on the Railway revenues will have to be quantitatively assessed with a view to work out the economics of the service and the Committee desire that such a study should be undertaken in relation to all services between different pairs of points. The Committee do not agree with the views of the Railway Board that since no capital investments or expenditure is incurred when a Freight Forwarder Scheme is introduced no separate study to evaluate the economics of the scheme is considered necessary. There is already a capital investment in the form of rolling stock, rail tracks and other equipment and therefore the adjustments in freights etc. pointed out above have to be evaluated against the traffic earnings as a result of this scheme.

27 11.33

—do—

That the freight forwarder schemes are not always sanctioned on the basis of a detailed study involving prospects of traffic and revenue is clearly borne out by the North Eastern Railways' experience in relation to Kanpur-Gorakhpur and Kanpur-New Gauhati services. The Kanpur-Gorakhpur service was sanctioned in August 1972, but has not fructified even after a great deal of efforts. Similarly, with a view to explore the possibility of deriving the benefits of the scheme, the North Eastern Railway decided to operate the scheme between Kanpur and New Gauhati but despite vigorous follow-up the scheme could not fructify due to lack of response from the trade. This scheme—though sanctioned in 1973 was introduced in February 1976 and by June 1976 traffic of 6 wagons loads only was offered by the freight forwarders. Similarly, on the Western Railway, though three freight forwarders were appointed in December 1973 mainly

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for piece goods traffic moving from Ahmedabad to Bangalore, no traffic was offered due to excessive transit time by rail as compared to road services. These instances only demonstrate that there was not much of planning before the introduction of special services. In these cases, as has been conceded by the Member-Traffic, the Zonal Railway was goaded to take action, since similar experiments on other Railways had helped in attracting additional traffic. The Committee need hardly emphasise that before introducing a new service the pros and cons should be critically assessed.

28. 1.134 Railways

The Committee find that the freight forwarders were actually road operators and freight forwarding was only a peripheral activity for them. In the circumstances, it is quite possible that clever operators, in order to take advantage of the lower rates and better facilities offered by the Railways under the Freight Forwarder Scheme may be diverting some freight which would have normally come to the Railways in the usual course. In fact, as pointed out by Audit, some of the freight forwarders on the South Eastern Railway carried traffic by road. This aspect of the matter needs to be carefully and constantly kept under watch.

29. 1.166 —do—

Container Service is one of the several special services which have been introduced by the Railways primarily with a view to attracting high profit yielding traffic. In 1971-72, between the 9 pairs of stations on which the container service was available, 31,880 containers were loaded and the total earnings thereon amounted to Rs. 144 lakhs. In 1975-76, the service was available between 12 pairs of stations and the loading during the year were

of the order of 36,939 containers on which Rs. 271 lakhs were earned. A comparison of the number of containers loaded *vis-a-vis* the loading targets as set down in the Project Reports of different services has revealed that the loadings were much below the targets in respect of 7 out of 12 services. The investigations made by the Railway Board into the reasons for short-fall in the actual loadings compared to the targets have, *inter alia*, indicated that some of the big users of these services were diverting their traffic to roads mainly because the movement by road was cheaper and faster. How successfully the Railways are able to stem this diversion of traffic to roads will determine the future of the container service.

It is regrettable that seven out of the 12 services being run by the Railways have not achieved the targets laid down. In one case (Carnac Bridge-Asarva-Service) it is proposed to close down the service. In two other cases *viz.*, (i) Salt Cotaeurs-Bangalore Cantonment Service and (ii) Pune-Salt Cotaeurs Service; it has been decided to merge these services with other services. In three cases *viz.*, (i) Salt Cotaeurs-Wadi Bander Service, (ii) Yeshwantpur-Wadi Bander Service, and (iii) Wadi Bander-Secunderabad Service, the targets for loading have been scaled down. This clearly shows that the main objective behind the introduction of the container service, namely, meeting the competition offered by the truck operators has not been successfully achieved.

an impact on the performance of these services. These are generally discussed below:—

- (i) In the operation of the container services there has been lack of a definite plan. The services between different pairs of stations have been introduced as and when considered necessary without any thought being given to the creation of the infrastructure necessary for the operation of the service. It is interesting to note in this context that whereas the availability of containers has increased more than three-fold during the period 1-4-1973 to 31-3-1977, the holdings of flats on which these containers are transported has remained almost stationary during the same period. Only 13 flats have been added to a fleet of 205 in four years. This non-matching of flats with the production of containers has created several problems for the services.
- (ii) There has been no commensurate addition to the terminal facilities and handling capacities in the important terminal points like New Delhi. This has led to the detention of flats at New Delhi for periods for above the minimum and this had adversely affected the optimum utilisation of flats and containers.
- (iii) For want of adequate number of flats containers are transported or conventional/BOX wagons which results in under-utilisation of the capacity of such wagons since the actual load

placed in such wagons was 8 and 23 tonnes against the carrying capacity of 22 and 55 tonnes respectively. Some idea of the loss due to under-utilisation of the carrying capacity can be had from the fact that in certain services the percentage of containers carried in conventional/BOX wagons to the total number of containers carried was as high as 50 to 61 per cent.

- (iv) The containers are required to be transported by nominated super express/express goods trains in order to afford a time-bound service to the customers. The scrutiny by Audit has revealed that in certain services the percentage of containers carried by other than nominated trains to total number of containers was as high as 98 per cent. As a result the transit time (interval between dates of despatch and return to base station) of containers and flats run on the services of the Central Railway far exceeded the targets laid down in this behalf. Similarly, the actual transit time on some services was far above the target. The transit time taken by containers on their return journey was also in excess of the targeted time.
- (v) Another striking feature as noticed in the services terminating on Central Railway and services originating from New Delhi was that the percentage of empty containers to the total number of containers hauled was appreciably on the high side.
- (vi) Still another feature noticed in the operation of the containers service was that huge sums of money were locked up in the

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form of tractor trailer units meant for transport of containers from firm premises to Railways for want of accessories and dispute about the question of payment of vehicles tax.

32. I 169 Railways

The above analysis brings into focus the various weaknesses of the container services. The Committee are of the opinion that although the special services like the container services were apparently generating extra earnings and contributing to Railways' revenues, it was difficult to assess if the current levels of earnings were the maximum or the most optimal given the existing organisational arrangements. The Committee would like that systematic study of the economics of each service should be made by the Efficiency Bureau of the Railway Board. As suggested by the Committee in their earlier Reports, revised project reports have been prepared the Efficiency Bureau of the Railway Board. As suggested by the Committee, therefore, essential to ascertain as to how the actual return on each service compares with the estimated percentage return. The Committee would like to be apprised of the action taken in the matter.

33. I 169A —do—

The Committee would like to warn the Railways against any complacency owing to the facts that the earnings from containers had shown an increase from Rs. 144 lakhs to Rs. 271 lakhs in 1975-76. It has to be remembered that over the years the number of pair of stations between which such services are available has been increased. Secondly as admitted by the Ministry of Railways, the increase in earnings is also partially due

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to increase in freight. Surely when the number of pairs are increased the investment on the flats and containers and other accessory facilities goes up. The Committee therefore recommend that Government should evaluate whether the increased earnings through container services have been commensurate with the increase in investments and if it has not been they should take appropriate measures to improve the container service.

34. 1180 —do—

The Committee find that as on 31 March 1977, 502 station to station rates were in existence on all Railways. Under this system station to station rates below the normal tariff rates are quoted by the Railways to attract traffic to Railways and to secure additional revenue. It has been stated that as desired by the Public Accounts Committee in their earlier reports the station to station rates quoted by various railways were subjected to review and none of the special rates quoted by them involved the railways in any loss. The Committee feel that the question of empty haulage of wagons in the return direction needs to be carefully examined with a view to ascertain to what extent the additional revenue earned by quoting special rates is neutralised by the empty haulage. In the same context it would be desirable to consider whether any additional traffic for the return movement of empty wagons could be attracted to Railways by quoting still more concessional rates for the incoming traffic without subjecting the Railways to undue burden. Such concessional rates will at least contribute something to the revenues as the empty wagons have in any case to be moved back to the point of despatch.

35. 1181 Railways

The Committee find that the loadings of Motor cars and auto-rickshaws on the Railways had continuously gone down from 1972-73 to 1975-76. The fall in loading had been attributed to factors like speedier transit and competitive rates offered by road hauliers. The Committee have been informed however that in 1976-77 the loading of cars and auto-rickshaws had improved and in the case of auto-rickshaws there were almost 100 per cent improvement over the previous year. According to the Railway Board the improvement in the loading has been possible as a result of several measures taken in this direction, such as frequent meetings with the manufacturers at various levels, successfully persuading the manufacturers to use wagons instead of special vans which were in short supply. The fact that the measures now taken by the Railways have been instrumental in a spectacular improvement in the loading of auto-rickshaws only goes to prove that in the earlier years such efforts were lacking. The Committee need hardly emphasise that the special station to station rates may be kept under constant review and necessary adjustments as and when called for may be carried out in the interest of revenue and better service.

36. 1200 —do—

The Committee find that there are more than 300 pairs of stations on the Indian Railways between which the Quick Transit Services are operating. The Quick Transit Services provide transport of goods within assured target time for which the customer is required to pay special surcharge on the ordinary freight. According to the Railway Board, by these services the

Railways infuse confidence among the trading community for quicker and safer transport, thereby improving the Railways' image besides earning additional revenue without incurring any additional expenditure. While this service apparently seems to be oriented towards customer needs it is difficult to assess its overall impact on the freight market particularly in view of the fact that the incidence of refund of surcharge due to non-delivery of consignments within the guaranteed period had been increasing. It is indeed disappointed to note that in some cases the surcharge had to be refunded to the extent of 100 per cent.

37. I-201 —do—

The high incidence of refunds of surcharge has been attributed to factors which according to the Railway Board were part of the day-to-day railway operations and unavoidable in nature. It would, however, appear that factors such as haulage of wagons loaded with such consignments by ordinary goods trains instead of by nominated ones, delay in handing over of QTS, wagons by adjoining railways, detention of quick transit service wagons in the yards en-route, delay in placement of wagons for unloading even when such wagons were received within the stipulated time, are not entirely beyond control. Careful supervision and proper monitoring of the quick transit service wagons will go a long way in eliminating some of these factors. The Committee desire that the performance of each service should be systematically watched at the division level for which a regular procedure should be laid down. In case of service is found detrimental to revenue, immediate steps should be taken to withdraw it.

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38. I-202 —do—

It has been stated that even if the quick transit services did not run within the target time there was no financial loss involved. The Committee

are not able to appreciate this argument because 5 per cent surcharge over the ordinary freight charges which is levied under Q.T.S. on account of moving the QTS wagons by Super Express/nominated Express goods trains has to be refunded in case the delivery is not affected within the stipulated time. The percentage of surcharge refunded during last 5 years was sometime even upto 10 per cent. The Committee therefore feel that delivery of wagons within the stipulated time was very essential. Moreover since this is a customer oriented service all out efforts should be made to adhere to the time schedules which are of paramount importance in this type of service. In order to give customer satisfaction the Committee recommend that in addition to the refund/non-realisation of the surcharge in cases where consignments do not arrive at the destination stations within the stipulated time, the Railways should examine the feasibility of compensating the customers for non-adherence to the time targets.

39. 1-203 Railways

The Audit Paragraph mentions that apart from delay in transit of goods offered under Quick Transit Service, the wagons are also under-loaded with consequent loss to revenue. It has been pointed out in the Audit Paragraph that during the period May 1972 to October 1974, the loads in some of the wagons booked under Quick Transit Service from Lucknow ranged between 12 to 21 quintals against the minimum of 90 quintals prescribed for a through sealed wagon. Similarly, in consignments of glassware booked from Ferozabad during the period August 1972

to December 1974, the pay load in some wagons was as low as 6 quintals against a minimum of 60 quintals. *Prima facie* this appears to be a faulty practice. For earning a per cent surcharge on some 'small' consignments, there can be no justification for despatching highly under-loaded wagons thus incurring loss in revenue to Railways. This important aspect of the service needs to be carefully reviewed.

40. I 217 —do—

The Committee note that an important function of the Marketing and Sales Organisation is to undertake commodity/road surveys to ascertain commodity-wise pattern of traffic moving by road and the points between which this traffic moved with a view to assessing as to which of this traffic could be brought to Railway with advantage. The objectives appear to be laudable but the scope and utility of these so-called surveys is only limited. According to the Member Traffic these surveys are more in the nature of 'fact finding studies'. It has been further stated that "such surveys are not intended to be very detailed as such full fledged surveys to be effective would require a large contingent of staff besides preplanned elaborate organisational arrangements."

41. I 218 —dc—

From the information made available to the Committee, they get an impression that some outdoor inspectors were deployed by the Railways at various check-posts or other points where the trucks stopped for paying toll or taxes and some rudimentary information about the commodities carried by them, the points of origin and destination was collected. An analysis of some of these so-called survey reports has revealed that they contain only a statistical data about the number of trucks moved and nature and quantum of traffic carried by road. They did not contain

any information about the transit time taken by road hauliers *vis-a-vis* by rail between the same pairs of points, freight charges etc. nor did they contain any recommendation of the survey team about the measures to be taken for attracting traffic of that area to the Railways. The Committee fail to understand what follow-up action could possibly be taken on the basis of the incomplete data collected through these surveys.

42. 1.219 Railways

The Committee have been informed that no specific guidelines have been laid down by the Railway Board for conducting such surveys. This is, to say the least, most undesirable as one of the most important responsibilities assigned to the Marketing and Sales Organisation is to conduct market research on specific problems. If this is to serve any useful purpose it should be conducted on scientific lines and by qualified personnel, unlike the studies on road competition, movement of certain commodities and surveys in industrial estates which have been conducted hitherto by the inspectorate staff of the organisation. The Committee would like the Railway Board to make an indepth study of the present system of market research and initiate measures to ensure that these research studies help solve problems and aid in decision-making and formulation of marketing plans and strategies to face the competition from road hauliers.

42. 1.230 Railways
Planning Commission

A serious weakness of the Indian transportation system appears to be the lack of coordination between the rail and road systems in the

country. The Committee find that there is not only lack of coordination at the national level between the two modes of transport but as a matter of fact there is a severe competition between the two. The road transport has certain inherent advantages over rail transport such as the ability to provide door to door service, pick and choose not only the commodities for carriage but also the routes and customers and very rates at will. On the other hand the Railways being a nationalised undertaking and a public utility service have the obligation to carry all traffic that is offered to them; sometimes even at less than cost as in the case of essential commodities like coal and foodgrains. As pointed out in paras above over the years the Railways' share of the total freight has continuously gone down and with the diversion of short distance and high profit-yielding traffic to the roads, the Railways have virtually become carriers of only bulk commodities and other long distance freight which the road do not find profitable to transport or which cannot be conveniently transported by road. This phenomenon not only involved wasteful competition between the railways and road hauliers but leads to a national waste inasmuch as the rail capacity created at great cost remains unutilised or underutilised in many sectors.

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44. 1231 —do—

The Public Accounts Committee have been repeatedly emphasising the need for an effective rail-road coordination which can be brought about only if there is a national integrated transport policy. The Committee have now been informed that a draft National Transport Policy as circulated by the Ministry of Shipping and Transport in January 1977 was revised in the light of comments received from various Ministries and

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referred to the Planning Commission who propose to appoint a high power committee to consider various aspects of the draft paper. This draft has yet to pass through various stages before it can take a proper shape. The Committee are constrained to express their dissatisfaction over the delay in finalization of a national transport policy. They would like to once again reiterate that the matter may be considered at the highest level and steps taken to finalise the National Transport Policy most expeditiously.
