

C.P.U. No. 923

THIRTIETH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(2007-2008)

30

(FOURTEENTH LOK SABHA)

**INDIAN RAILWAY CATERING AND TOURISM CORPORATION
LIMITED**

MINISTRY OF RAILWAYS



Presented to Lok Sabha on 29.04.2008

Laid in Rajya Sabha on 29.04.2008

LOK SABHA SECRETARIAT

NEW DELHI

April 2008/ Vaisakha 1930 (S)

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COMPOSITION OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2007-2008)

Shri Rupchand Pal - Chairman

Members, Lok Sabha

2. Shri Ramdas Bandu Athawale
3. Shri Ramesh Bais
4. Shri Gurudas Dasgupta
5. Smt. Sangeeta Kumari Singh Deo
6. Shri Francis K. George
7. Dr. Vallabhbhai Kathiria
8. Ch. Lal Singh
9. *Dr. Rameshwar Oraon
10. Shri Shriniwas Patil
11. *Kunwar Jitin Prasada,
12. Shri Kashiram Rana
13. Shri Mohan Rawale
14. Shri Ramjilal Suman
15. Shri Ram Kripal Yadav

Members, Rajya Sabha

16. **Prof. Ram Deo Bhandary
17. Shri R.K. Dhawan
18. Shri Mahendra Mohan
19. **Shri Ajay Maroo
20. Shri Pyarimohan Mohapatra
21. Shri K. Chandran Pillai
22. **Shri Dinesh Trivedi

Secretariat

- | | | |
|----------------------|---|----------------------------|
| 1. Shri S.K. Sharma | - | Additional Secretary |
| 2. Shri J.P. Sharma | - | Joint Secretary |
| 3. Smt. Anita Jain | - | Director |
| 4. Shri N.S. Hooda | - | Deputy Secretary |
| 5. Shri Girdhari Lal | - | Senior Executive Assistant |

* Elected w.e.f. 17.5.2004 Dr. Rameshwar Oraon and Kunwar Jitin Prasad ceased to be Members of the Committee consequent on their appointment as Ministers of States w.e.f. 6.04.2008.

** ceased to be Members of the Committee consequent on their retirement from Rajya Sabha w.e.f. 02.04.2008 and 09.04.2008.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Thirtieth Report on Indian Railways and Tourism Corporation Ltd.

2. The Committee on Public Undertakings (2007-08) took evidence of the representatives of Indian Railways Catering and Tourism Corporation Ltd. on 27th February, 2008. The Committee on Public Undertakings (2007-08) took evidence of the representatives of the Ministry of Railways on 19th March, 2008.

3. The Committee on Public Undertakings (2007-08) considered and adopted this Report at their sitting held on 28th April, 2008.

4. The Committee wish to express their thanks to the Ministry of Railways and Indian Railways Catering and Tourism Corporation Ltd. for placing before them the material and information they wanted in connection with the examination of the subject. They also wish to thank in particular the representatives of the Ministry of Railways and Indian Railways Catering and Tourism Corporation Ltd. who gave evidence and placed their considered views before the Committee.

5. They would also like to place on record their appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-B of the Report.

**New Delhi
28th April, 2008
08 Vaisakha 1930 (Saka)**

**Rupchand Pal
Chairman
Committee on Public Undertakings**

CHAPTER I

INTRODUCTION

(I) Historical Background Of IRCTC

According to IRCTC, the proposal for setting up of a Railway Catering and Tourism Corporation was originally mooted in 1993, when it was proposed to set up a corporation with three divisions:

- I. Catering Division for professionalizing catering of Indian Railways.
- II. Tourism Division for development of eight 'Palace on Wheels' type trains on BOT (build operate transfer) basis and as well as to offer packaged tours for domestic tourists and to promote indrail passes for international tourists.
- III. Hotel Division for setting up a chain of 100 hotels on railway land at stations having tourism potential.

The setting up of 100 Budget Hotels on railway land and introduction of eight "Palace on Wheels" type trains was approved by the Committee of Secretaries in March, 1994 and the decision to entrust catering services to a Corporation was announced in the Railway Budget 1994-95. The decision to set up IRCTC was announced in the Railway Budget 1998.

Incorporation of the Company

Indian Railway Catering and Tourism Corporation Limited (IRCTC) was incorporated on 27th September 1999 as a limited company registered under the Companies Act 1956 to professionalise and manage catering and hospitality services and to promote domestic and international tourism through development of hotels, information and commercial publicity and global reservation systems; and to explore and exploit under utilised assets of Indian Railways and stimulate private entrepreneurship and investment in the hospitality business; and serve the rail users and passengers through value added services. The company obtained the Certificate for commencement of Business on 2nd December 1999.

(ii) **OBJECTIVES**

Objectives of Indian Railway Catering and Tourism Corporation Limited (IRCTC) *inter alia* include-

- (i) Single window services for Hospitality, Travel and Tourism products;
- (ii) Achieve best practices in Hospitality sector;
- (iii) Scale best heights in travel and tourism business;
- (iv) Be a customer-oriented company;
- (v) Expand areas of core competence through Public Private Partnerships;
- (vi) Imbibe strong and ethical work culture;
- (vii) Evolve high standards of business ethics; and
- (viii) Caring, preserving and improving environment and heritage.

When asked to state to what extent the above objectives have been achieved, IRCTC in their written note stated as follows:

Sr. No.	Objects	Achievement
(i)	Single window services for Hospitality, Travel and Tourism products	IRCTC has set up its web portal titled as www.railtourismindia.com , which offers one stop solution to the customers including train travel, hotel accommodation, car rental etc. It also offers all inclusive tour packages including rail travel, road travel, hotel accommodation and sight seeing etc.
(ii)	Achieve best practices in Hospitality sector	IRCTC is the largest company in catering and hospitality. The company is striving to adopt best practices for serving the needs of railway passengers including ISO and Hazard Analysis Critical Control Points Certification of base kitchens, training of staff etc.
(iii)	Scale best heights in travel and tourism business	In order to achieve best heights in travel and tourism business, IRCTC has designed a train for the Buddhist Circuit keeping in mind the profile of Buddhist tourists. IRCTC has already operated 6 trips of the said train, which have received positive response from International travel trade and media.

		<p>IRCTC has also started Rail tour packages. Which are All Inclusive Packages covering the following:</p> <ul style="list-style-type: none"> • Confirmed Rail Booking • Road Transfers • Hotel Accommodation • Meals • Sight Seeing <p>IRCTC is also operating Bharat Darshan train, which runs on identified tourist circuits covering various states of India, and gives an opportunity to the common man to experience the culture of various states of the country.</p> <p>IRCTC has also plans to operate a luxury tourist train on the lines of Palace on wheels. With the growing popularity of the said products, IRCTC is scaling best heights in travel and tourism business.</p>
(iv)	Be a customer-oriented company	<p>The initiatives made by the company in development of Internet Ticketing both E and I ticket are a LIVE example of the same. IRCTC provides tickets to public in the comforts of their home/residence and save them from hassles to visit railway reservation centres. The delivery of tickets is made either through the courier or a person can himself take out the printout for traveling. By doing, this IRCTC is not only saving time of public but also saving cost traveling/parking to these centres.</p> <p>For registration of grievances of customers, control rooms have been opened at five locations, which have round the clock operations and equipped with modern communication facilities. There telephone numbers have been publicized and complaints received on phone are resolved immediately. On-line redressal is being done through control rooms.</p> <p>In order to offer the value added customer services, IRCTC has set up state of art call centres (139-Rail Sampark) at New Delhi, Mumbai, Chennai and Kolkata, to cater to the needs of traveling public.</p>

(v)	Expand areas of core competence through Public Private Partnerships	IRCTC is expanding in its core area of competence and most of the projects undertaken by the company are in the nature of Public Private Partnerships e.g. Food Plazas, Budget Hotels, Managing of Railway Hotels and Rail Yatri Niwas, On Board Services on the trains, AVMs, Static Catering Stalls etc.
(vi)	Imbibe strong and ethical work culture	IRCTC is developing a work force, which will have strong ethical work culture & shall have commitment with strong motivation for hard work and shall be disciplined to achieve the objects and targets.
(vii)	Evolve high standards of business ethics	<p>IRCTC has evolved high standards of business ethics:</p> <ul style="list-style-type: none"> • Catering Licensees should not over charge to the customers, • Provide full value to the customers for their money, • Provide high quality/ branded food products to customers, • Provide clean environment to customers, • Provide excellent services to customers. <p>IRCTC is striving for implementing these business ethics. However, a lot needs to be done in this area.</p>
(viii)	Caring, preserving and improving environment and heritage	<p>IRCTC is working with the Ministry of Railways for development of DHR (Darjeeling Himalayan railway) – a World heritage Site.</p> <p>It has also signed an MOU with UNESCO for working together towards preservation of heritage and environment.</p>

When the Committee sought to know whether IRCTC is facing any problems in the way of achievement of aforesaid objectives, the Corporation in their written reply submitted that the following are the problems which have come in the way of achievement of the aforesaid objectives:

- (i) Catering activities covering 3152 stations is largely in the unorganized sector.
- (ii) Lack of standardization.
- (iii) Services have not expanded to meet passenger expectation and market demand.

- (iv) Well entrenched existing catering contractors.
- (v) Poor image of Railway Catering among public
- (vi) Stiff Competition for Railways from Low Cost Carriers, especially in upper segment.
- (vii) Attraction & Retention of good quality of manpower.
- (viii) Catering policies are not supportive of selection of high quality catering licencees.”

On being asked as to what initiatives have been taken or proposed to be taken by the Ministry of Railways to over come each of the above problems, the Ministry in a written reply detailed as under:

- (i) **Catering activities covering 3152 stations is largely in the unorganized sector.**

Traditionally catering services on stations have been managed by individual proprietary firms, partnerships firms, etc. With evolution of catering policies and introduction of tender system in licensing, registered business entities are coming in catering services on railways. Extant Catering Policy lays down technical criteria to ensure that experienced business entities with specified turnover, experience in catering / hospitality sector are selected through the tender process. Catering Policy also lays down that the licensees have to deploy specified number of persons with professional degrees/diplomas and experience in the catering field.

- (ii) **Lack of standardization**

IRCTC is following the menu / tariff specified by Ministry of Railways for standard meals, tea coffee etc. served on the railways. Further, Menu and tariff approved by IRCTC are followed for service of a-la-carte items. Branded products are being accepted in order to ensure quality.

- (iii) **Services have not expanded to meet passenger expectation and market demand.**

IRCTC has been formed to upgrade and professionalize catering services on railways. Indian Railways and IRCTC are making all out efforts to improve the image of railway catering among public. Dedicated attention is being paid to public complaints in regard of catering services. IRCTC

has set up Complaint Monitoring Cells at major locations to handle complaints through computerized system. Feedback forms are being circulated in various trains to assess the customer feedback. Remedial measures are being taken by the Quality Inspectors after inspections at source points. International Food Audit system has been introduced for betterment of services. Regular inspections / surprise checks are being conducted by Indian Railways / IRCTC officials to improve the services.

(iv) **Stiff Competition for Railways from Low Cost Carriers, especially in upper segment**

Railways, in order to meet the competition from low cost air carriers, have not increased the passenger fares whereas there have been substantial hike in air fares offered even by the so-called low cost carriers.

(v) **Attraction & Retention of good quality of manpower**

High attrition rate in hospitality industry is a global phenomenon. IRCTC will have to find ways and means to provide for modern and attractive HRD policies for its professionals so that they find job satisfaction and career advancement opportunities in IRCTC.

(vi) **Catering policies not supportive of selection of high quality catering licences.”**

IRCTC has been set up to professionalize, upgrade and improve the quality of catering services in Indian Railways. The Ministry of Railways have issued catering policies which contain general guidelines regarding system of allotments, minimum eligibility criteria, tenure of licence, etc. IRCTC has been given the powers to modify these conditions as per requirements. Quite often, the bidding parameters within the tendering process make it difficult to ignore the price factor and award contract on quality related parameters alone. But the sanctity of the tendering process can never be violated. IRCTC will be required to operate within this framework only to obtain best quality contractual services. At a policy level, Ministry of Railways gives full support for improvement of quality.

(iii) **MINIRATNA STATUS**

It was informed to the Committee that IRCTC has submitted a proposal for Mini Ratna status to the Ministry of Railways on 8th Jan, 2008.

The condition required to be fulfilled for grant of Mini Ratna Category-I status is that PSEs should have made profit in the last three years continuously, the pre-tax profit should have been Rs.30.00 crore or more in at least one of the three years and should have a positive net worth.

The details of pre-tax profit and net worth of IRCTC is detailed as under: -

(Rs. in crore)				
Sl. No.	Particulars	2004-05 (Audited)	2005-06 (Audited)	2006-07 (Audited)
1	Profit before tax (pre-tax)	7.93	31.64	30.00
2	Net Worth	31.78	47.22	62.96

Ministry of Railways in their written reply has informed the Committee that IRCTC fulfills the conditions for claiming Mini Ratna Status. IRCTC is eligible for grant of category-I status. The proposal is under consideration of Ministry of Railways.

CHAPTER II

ORGANIZATIONAL SET UP

The Company has six Zonal offices situated at North Zone - Delhi, West Zone – Mumbai, East Zone-I Kolkata, East Zone-II Kolkata, South Central Zone - Secunderabad and South Zone - Chennai. Under Zonal offices, there are ten Regional offices located at Lucknow, Chandigarh, Jaipur, Patna, Bhubaneswar, Guwahati, Bhopal, Ahemdabad, Bangalore and Ernakulam. It was informed to the Committee that the organizational set up is still under finalization for identifying and setting up station offices. The station officers shall be under the zonal/regional offices and shall have a defined jurisdiction.

A. BOARD OF DIRECTORS

According to IRCTC, the Department of Public Enterprises, vide its letter no.9 (5)/99-GM, dated 1.5.2000, had approved the composition of its Board of Directors as under: -

- (a) Part time Chairman,
- (b) Full time Managing Director in Schedule 'B' scale of pay,
- (c) Three full time functional Directors, namely, (i) Director (Tourism & Marketing), (ii) Director (Catering Services) and (iii) Director (Finance) in Schedule 'C' scale of pay,
- (d) Two part time official Directors, and
- (e) Four part time non-official Directors.

When asked whether there exist any vacancies on the Board of Directors, IRCTC replied that presently, there are four vacancies on Board of Directors.

Furnishing the details of the nature of vacancy, the date on which these posts arose, reasons therefore alongwith the current status of efforts made for filling up the vacancies, IRCTC informed the Committee as under:

Sl. No.	Nature of vacancy	No. of Vacancy	Date since vacant	Reasons for delay	Current Status
1	Managing Director	One	23.10.07	There is no delay. The process for recruitment of new Managing Director was initiated by Ministry of Railway immediately after post fell vacant.	Interviews for the post of Managing Director were held on 12 th and 13 th March 2008.
2	Director (Finance)	One	3.12.07	There is no delay. The process for recruitment of new Director (Finance) was initiated by Ministry of Railway immediately after post fell vacant.	Interviews for the post of Director (Finance) is going to be held shortly.
3	Part time non-official Directors	Two		Initially there were four vacancies for part-time non-official Directors. Two part-time non-official Directors were inducted on 30.11.2005 by Ministry of Railways. Process for induction of another two part-time non-official Directors has been initiated by Ministry of Railways.	Posts of part time non-official Directors are likely to be filled up shortly.

It was also informed that Director (Tourism and Marketing) is presently entrusted with the additional charge of Managing Director.

B. STAFF STRENGTH

The Committee have been informed that the total staff strength of IRCTC on 31.12.2007 was 5521. The bifurcation of the same is as under:

- (a) **IRCTC staff:**
- (i) Regular - 546
 - (ii) Fixed term /contract - 105
 - (b) On deputation - 159
 - (c) On deemed deputation - 4221
 - (d) Consultants - 114
 - (e) Outsourced - 376

It was also stated that the catering services were taken over by IRCTC from Railways on as is where is basis alongwith the catering staff on deemed deputation basis. The deemed deputationists staff is to be repatriated back to

the Railways and a review of the staff strength is being undertaken to determine the total requirement after their repatriation.

When asked whether any time frame has been formulated for completion of repatriation process of the deemed deputationist staff, IRCTC in their written replies stated that the repatriation of staff is taking place in phased manner. Staffs are being repatriated to the railways based on their options, medical classification and vacancies. Ministry of Railways has directed for repatriation of Group D staff at the first stage. There was a total number of 4221 staff as on 31.12.2007 (1094 Group C and 3127 Group D) out of which 577 Group D Staff has already been repatriated since then. 213 staff had been repatriated prior to January 2008. Thus, a total of 790 Group D staff has already been repatriated to the Railways. For the balance, 2550 staff all the zonal railways has already been requested to issue posting orders for these staff. The railways are issuing orders after medical examination and identification of the posts. It is expected that this process will be completed in 2008. Regarding Group C staff, as soon as the orders for their repatriation are issued by Ministry of Railways, they will be repatriated in a phased manner.

When the question of formulation of any time-frame for completion of repatriation process was put before the Ministry of Railways, the Committee were answered as follows:

“The repatriation of staff from IRCTC is taking place in a phased manner. Staff is being repatriated by IRCTC to railways based on their options, medical classification and availability of vacancies. Ministry of Railways has already issued instructions for repatriation of Group D staff in the first stage. Out of 4221 staff as on 31.12.2007 (1094 Group C and 3127 Group D), 577 Group D Staff has already been repatriated. It is expected that this process would be completed in 2008. Regarding Group C staff, steps are being taken for their repatriation in a phased manner.”

In light of the fact that large number of employees repatriated with a large number of vacancies resulting out of it, when asked as to how the IRCTC is going to remedy the position, it was submitted by the Ministry that the position is being remedied in the following manner:

“A total of 546 number of regular employees have been inducted by absorption of deemed deputationists / deputationists staff and market recruitment on all India basis. Besides this, 105 employees have been recruited from open market on contract / fixed term basis. The recruitment policy of the corporation has also been finalized. The sanctioned strength of each zone / department is being reviewed and finalized. The process for recruitment has already been initiated and the campus recruitment is under process for workmen and supervisory category in the catering department, which forms the major portion of the work force. The campus recruitment is under process from Institutes of Hotel Management/Food Crafts Institutes affiliated to the National Council of Hotel Management and Catering Technology, which is under the Ministry of Tourism, Govt. of India. These institutes are located through out the country and cover almost all the parts of the country.”

CHAPTER III

CORE SERVICES OF IRCTC

The core services of IRCTC are as under: (i) Hospitality (ii) Travel and tourism and; (iii) IT services.

(A) HOSPITALITY SERVICES

The activities under this segment can be undertaken in two ways, namely, (i) Departmental managed Units and; (ii) Licensee managed Units.

(i) Departmental managed Units: Under Departmental managed Units, IRCTC is managing units transferred by Railways along with the staff. The business managed consists of catering, stalls, refreshment rooms at railway stations, mobile pantry car services and railway hotels, mini-base kitchens and Rail Yatri Niwas at New Delhi and Howrah.

(ii) Licensee managed Units: Under Licensee managed Units, the licencees are managing trains catering stalls, food plazas, fast food units, quick food service, kiosks, automated vending machines and water vending machines etc.

With regard to catering activity of Railway and its mandate, the Committee were informed that it was in the year 1998 that Railways finally decided to hive off catering of the Indian Railways to a Corporation and a Note for Cabinet was put up before the Cabinet Committee and it was decided by the Committee that

“...the catering activity of Railways, whether departmental or franchises should be completely hived off to the proposed Corporation along with the staff and the Railways should divest itself of this function.”

The Ministry further added that It was on this decision that the Indian Railway Catering Corporation came into existence. IRCTC has been formulated as an extended arm of Railways, to control, regulate, supervise and organize catering activities over Indian Railway network. IRCTC, being a public sector undertaking under the Ministry of Railways, is governed by the directives/ circulars/ policies of Railway Board issued from time to time.

Mandate of the Corporation for catering services:

- 1) Professionalize, consolidate and upgrade railway catering services through public private partnership (PPP), and reduce liabilities of the Indian Railways.
- 2) Consolidate existing railway catering services professionalize and upgrade on-board catering and hospitality services with special emphasis on human resource development and retraining.
- 3) Quality audit and hygiene inspections by reputed third party food audit companies.

As per Catering Policy-2005, the existing catering services over Indian Railway Network were taken over by IRCTC on ***“As is where is basis”***. The existing catering services managed departmentally and through the licensees of both static units and mobile units were taken over by IRCTC. Amendments have been carried out in the Catering Policy-2005 to modernize the catering services and accordingly Revised Catering Policy has been issued on 21st December, 2005 as Catering Circular 56 of 2005.

Main aspects of Revised Catering policy -2005 are:-

- a) No reservation for Major Units
- b) Segregation of Minor Units into General Minor Units (GMU's) & Special Minor Units (SMU's).GMU's are to be awarded by way of two-packet tender system by IRCTC.25% of total minor units in a Division has to be earmarked as SMU's under reserved category at A,B & C stations.
- c) SMU's are to be jointly identified by Railways & IRCTC and allotted by Divisional Railways by way of calling applications through press notification.
- d) To abide by the terms and regulations of MOU between Railways & IRCTC duly following the basic spirit of Catering Policy.

Catering units are classified into Major units and Minor Units.

Major units are:-

- i. Food Plazas / Food Courts at categories of station
- ii. Refreshment Rooms at Category “A” station
- iii. Fast Food Units
- iv. Mobile Catering Units
- v. Train Side Vending Units
- vi. AVM’s at all Categories of Stations

Minor units are :-

- a) Stalls and Trolleys at A, B & C Category of station excluding Food Plazas and Food Courts.
- b) Restaurants / Refreshment Rooms are at “B” & “C” categories of Stations.
- c) All Catering units at D,E & F Categories of stations except AVM’s , Food Plazas & Food Courts

Automatic Vending Machines (AVM’s)

With a view to achieve the objective of making the station platforms more hygienic, besides improving the quality of service and the image of Railways, a comprehensive circular was issued by Railway on 15th December, 2005 as Commercial Circular 54 of 2005 as Policy of Automatic Vending Machines (AVM’s). The present procedure being followed by IRCTC for AVM kiosks is in accordance with the Railway Board’s policy for AVM’s. As per the policy, transparent two-packet tender system is followed by IRCTC. (EOI) Expression of Interest has been invited by IRCTC for empanelment. Twenty (20) agencies were empanelled on the basis of technical bid submitted by the Agencies. Limited financial bids (Packet-B) are called from the empanelled agencies and licences are awarded to the highest bidders in the financial bid. At AVM dispensing kiosks, only branded pre-packed, pre-cooked snacks are permitted for sale along with the brand beverages dispensed through Automatic vending machines. 1030 AVM’s were awarded by IRCTC and 473 number of AVM’s are in operations with IRCTC as on 31.12.2007.

Milk Stalls

Railway Board on 19th April, 2005 decided that IRCTC should be awarded the Milk Stalls / Parlours to Apex Dairy Cooperatives/Societies approved by Government of India at the Centre/ State /Union territories , who are members of National Cooperative Dairy federation of India (NCDFI) and/or developed under the aegis of Operation Flood Programme. Preference is to be given to the local apex dairy cooperative society approved by the Government at the Centre/State/ Union territories. Guidelines were issued regarding allotment, fixation of licence fee, tenure, etc. Railway Board on 15th September, 2005 further instructed that a tripartite licence agreement has to be signed by IRCTC, concerned cooperative and the nominated licensee in such contracts 126 Milk stalls commissioned upto 31.12.07.

Mobile Catering Units

As per Catering Policy, IRCTC has taken over pantry car contracts and sector –wise trains side vending contracts from Railways on ***“As is where is basis”***

Pantry Car contracts

Pantry Car contracts are awarded through tenders as per transparent two-packet open tender system. Parties are required to participate on the basis of laid down technical eligibility criteria as per policy. Financial bids (Packet-B) were opened only for the parties qualified in the technical bid (Packet-A). The highest bidders were awarded the licences. The details of the pantry car contracts in operation with IRCTC as on 31.12.07 are as follows:-

- Rajdhani Express trains-18
- Shatabdi Express trains-18
- Jan Shatabdi Express trains- 16
- Mail/ Express trains- 205

Train side Vending Contracts

A combination of open tender system and procedure of empanelment is followed for train side vending contracts. Specific notice inviting tender (NIT) is published in the news papers. Parties which are not empanelled with IRCTC can

also participate along with the empanelled parties. Empanelment is valid for a period of two years and opened throughout the year. Financial bids (Packet-B) are opened only for the parties qualified in the open technical bid (Packet-A) and the empanelled parties. The highest bidders are awarded the licences. 50 Train side vending contracts are in operations with IRCTC as on 31.12.07.

Comprehensive On-Board Catering Services with Pantry Car and without Pantry Car.

As per directives of Railway Board, IRCTC has also awarded contracts of Comprehensive On-Board Catering services (COBS) with pantry car and contracts of Comprehensive On-Board Catering services (COBS) without pantry car and the said system of award has been withdrawn as per directives of Board. There are 76 contracts of COBS with pantry car and 39 contracts of COBS without pantry car in operations as on 31.12.07.

It was also informed to the Committee by the IRCTC that in order to ensure the catering services provided on the Indian Railways should be of good quality, following mechanism has been put in place:

- a) Monthly inspection schedules and targets were laid down at all levels involving officials of all departments. Regular inspections are being conducted by officials of IRCTC duly abiding by the laid down targets. Officials of Vigilance department / IRCTC regularly conduct inspections to check whether the licensees abide by the terms and conditions of the contract which include
 - Maintenance of high standards of cleanliness & hygiene
 - Compliance to the sale of items at approved rates and prescribed quantity (ml/gms/Nos / pieces etc.)
 - Conforming to the laid down standards regarding cooking methodology, techniques and processes.
 - Conforming to the accounting standards and procedure of reporting sales to IRCTC.
 - Check of conforming to the statutory provisions such as obtaining necessary food licenses, permissions from local state / central authorities, abiding by labour laws etc.

- b) Inspection reports are submitted to the concerned Zonal / Regional offices by the officials against which prompt actions are initiated which include counseling, levy of fines, etc., Regular follow-up action is taken during the subsequent inspections regarding the compliance of the advice issued during the earlier inspections.
- c) Inspection of base kitchen of the licensee and cooking area is being done continuously to improve the hygiene and cleanliness of the service providers so that overall improvement is visible.
- d) Food Audit is being conducted by third party audit teams like, M/s TUV SUD South Asia at Food Plazas and so far 11 Food Plazas were covered and the ratings were appraised. Short-term, medium-term and long-term recommendations were given by the audit agencies, based on which the concerned licensees and the zonal / Regional offices are advised.
- e) All licensees of Food Plazas were advised to obtain the ISO certifications

Regarding the catering policy, from the reply of IRCTC the Committee have noted that catering policies laid down by the Ministry have not been supportive of selection of high quality catering licensees. In this regard, while reacting to the comment of the IRCTC, the Ministry of Railways stated that it is felt that IRCTC have not been able to frame their reply very clearly. It is unlikely that IRCTC would complain of lack of support from the Ministry because such support has been given very consistently. Apparently, what IRCTC want to convey is that the tender processes which they have to follow as a public sector undertaking do not permit absolutely free and unhindered decision making to award contracts to any contractor perceived to be the best suited for handling the activity. Therefore, the complaint is not against the catering policy but apparently against the restrictive tendering policy. It is felt that as IRCTC strengthen their managerial infrastructure and gain more experience in tendering process, they will be able to get best quality contractual services within the framework of existing rules.

(i) **Quality of Catering Services**

The Committee have observed that there are number of complaints with regard to the price, quality and quantity of food being served to the railway passengers. The Committee also noted that one or two big catering contractors are enjoying the monopoly in supply of catering services. In this connection, when the Committee sought the comment of the Ministry, the Ministry of Railways in their written note stated that there are a number of complaints regarding quality and quantity of food being served to the railway passengers. It cannot be said that this is due to monopoly enjoyed by one or two big catering contractors. Catering contracts are awarded by IRCTC by following the prescribed procedure. In order to curb the monopolistic practices in catering services, Ministry has laid ceiling limits on the number of licences held by one business entity. Catering contracts are awarded by IRCTC to many new agencies. Ministry of Railways seeks clarifications regarding complaints of quality and quantity of food being served to the railway passengers. IRCTC is advised to take necessary steps to improve the quality and quantity of food. Checks are also carried out regarding the quality and quantity of food served to the railway passengers.

When enquired whether any special initiatives have been taken by the IRCTC to improve the quality of catering services, the Committee were informed that for ensuring the quality of services and removing the difficulties and problems faced by passengers, the following steps are being taken:

- (i) Regarding Monitoring of Catering Quality, monthly quota of inspections has been fixed for officers of Zones & Regions. Apart from this, Quality Control Professions (QCPs) have been nominated trains for regular monitoring of quality of catering services.
- (ii) M/s TUV SUD South Asia has been conducting Food Audit at the catering units. M/s IMRB International (formerly known as Indian Market Research Bureau) has been conducting Customer Satisfaction Survey on the trains. The Zonal/Regional officers are taking necessary action on the feedback mentioned in the reports of both the agencies. Because of the above actions, there has been general improvement in the quality of catering services.

- (iii) To improve the process of production and servicing, so as to achieve ultimate objective of improvement in quality, booklets consisting of procedures and handbook have been prepared along with of book of standard recipes.
- (iv) Standard checklist has also been prepared for inspection of various authorities in IRCTC so as to ensure tight control over the quality.

The Committee note that some special drives by Quality Control Professional (QCP) having diploma/degree holders in hotel management with two or more years of field experience, have been conducted by IRCTC on some trains.

When asked about the findings of the various special drives and follow up action taken thereon, the Committee were informed that special drives were conducted through Quality Control Professionals (QCP's) on multiple rakes of various trains concentrating on particular aspects such as quantity of food, working of pantry car equipments, overcharging etc. In each drive, the deficiencies found especially regarding quality of catering services were immediately rectified. On repeated irregularities, the licensees of the concerned trains were fined. The licensees were also called to the Corporate Office & counselled. As regarding the pantry car equipments, the concerned Railway Authorities were communicated about the Non-working of the Equipments & the QCP's also to liaison with the mechanical & electrical staff at the originating/terminating yards to get them repaired. During these drives, the QCP's also guide the pantry car staff on several aspects such as proper cooking methodology/ procedures, service techniques, personal grooming of staff, upkeep of uniform, maintenance of cleanliness and hygiene etc

When asked further about the magnitude of fines imposed, if any, on the defaulting licenses, the reply of IRCTC was that fines are imposed on the licensees to discourage them from repeating their past mistakes and improve their services. Heavy fines are also imposed such as

- Rs. 20,000/- incase, water pouches are served instead of Water tumblers
- Rs. 5,000/- for overcharging on Packaged Drinking Water etc.

The other fines depend on the magnitude of the malpractice. In some cases fines of Rs.50,000/- has been imposed. In some cases, instead of fines, emphasis is being laid on the removal of deficiencies in the system and the licensees are advised to invest / incur expenditure on the deficiencies noticed in the maintenance of equipments, utensils, cutlery, crockery, uniforms etc.

About the mechanism available for recovery of fines and status of disputes, if any, pending, it was stated that on receipt of inspections reports, deficiencies are forwarded to the concerned licensee giving 7/10 days time to submit explanation. In case reply is not received within the given time, reminder is issued to the licensee giving 07 days time, advising that in case of non receipt of reply from party, exparte' decision will be taken. In case reply is received, competent authority takes suitable action by passing speaking orders. Licensee is advised on action taken by IRCTC, along with reasons for having taken the punitive action. All efforts are made to realize the fine, if imposed on the licensee and if needed, meeting is called with the concerned licensee for realization of the fine. In case the licensee does not deposit the fine imposed, the same is deducted by IRCTC from his bills pending to him, if any, at Corporate Office

(ii) **Food Plazas/Fast Food Units**

Regarding the Food Plazas, IRCTC through their detailed note informed the Committee that Food Plazas are multi-cuisine food outlets giving a variety of choice for eating. They should provide the top most quality. The quality & rates of items in Food Plazas are market determined. They will be provided by way of public private participation. Allotments are done by IRCTC in a transparent manner as per two-packet system by calling for technical bid (Packet-A) and financial bid (Packet-B). Tenders are awarded to the highest bidders in financial bid (Packet-B). Parties are also empanelled for setting up of Food Plazas/Fast Food Units at various categories of stations. NIT (Notice inviting tenders) for specific locations at stations are published in the newspapers and uploaded in the IRCTC website portal www.irctc.com. New parties shall participate in the tenders along with the empanelled parties. Empanelment is valid for a period of

two years. Empanelment is open throughout the year. There are 15 parties empanelled with IRCTC.

Furnishing the details of the number of food plazas under operation and their performance during the last five years, the IRCTC stated that as on 31.12.2007, Fifty three (53) Food Plazas/Fast Food Units are in operation with IRCTC. The details regarding financial performance during the last five years are detailed as under: -

(Rs. In Lakh)					
Nature of Income	2002-03	2003-04	2004-05	2005-06	2006-07
User Charges	59.46	121.50	218.16	259.92	304.89
Licence Fee	26.70	97.91	249.33	351.52	451.27

From the above, the Committee note that since 2004-05, the proportion of user charges and license fees have significantly declined. When the Committee desired to know the reasons for the decline, IRCTC in their written note submitted that prior to Railway Board's catering Policy-2005, Food Plazas were awarded by IRCTC based on two-packet tender system. User charges are fixed in the tender and the bidders are required to quote the expected annual sales and the percentage of annual sales payable as licence fee for each year. Financial bids (Packet-B) were assessed based on Net Present Value (NPV) of the bid amount offered by the tenderers and the licences were awarded to the highest bidders. User charge is a fixed amount and enhanced by 15% after every three-year period. Therefore, user charges will not decline during the subsequent period of tenure of licence. Licence fee is based on the percentage of sales turnover quoted by the licensee in the bid, which is a variable amount. Subsequently, Minimum licence fee has been fixed and incorporated in the Tender document for all years for Food Plazas as per Catering policy- 2005, Revised Catering policy of Railway Board, vide its circular No-2004/TG.III/673/II/IRCTC dated 16.11.2005. Minimum licence fee is being calculated based on market value of the land and the percentage of revenue share with Railways as prescribed by MOU between Railways & IRCTC.

The Corporation has further informed the Committee that as on 31.12.07, against the targets of 35 Food Plazas to be commissioned during the financial

year-2006-07, 12 Food Plazas/ Fast Food Units have been commissioned, 13 Food Plazas and 03 Fast Food Units are under the process of commissioning after issue of letter of award of licence. Technical scrutiny of tender papers is under process for 11 Food Plazas / Fast Food Units. Some other sites especially at small stations are not viable in view of the limited number of passengers and the huge investment required for setting up of Food Plazas.

The Committee have also been apprised that Notice Inviting Tenders has been published in the newspapers for 183 Food Plazas / Fast Food Units. Out of which, 122 sites are being re-tendered by IRCTC, due to lack of response.

When the Committee desired to know the reasons for poor response of tenders, it was stated that the tenders for Food Plazas were invited for 183 sites in terms of the Ministry of Railway, Railway Board Policy. 122 sites were re-tendered due to lack of response from the public. The re-tendered location are primarily smaller stations where food plazas may not be financially viable.

IRCTC's Zonal/ Regional Offices have undertaken the following steps for improving the response:-

1. Local potential F & B operators were identified and reached out duly highlighting the enormous business potential at Railway Stations.
2. Meetings were conducted at Zonal / Regional offices by giving presentations duly clearing all doubts regarding tendering system and procedures.
3. Explanations were given in detail regarding the advantages of single window clearance system being offered by Zonal / Regional offices of IRCTC.
4. Eligible parties were advised to submit the filled-in tender documents in all respects for all the locations.
5. Booklets explaining the tender conditions duly incorporating the site/ sketch plans of locations were printed and circulated to the potential F & B players during the meeting conducted at Hotels. Press conferences were conducted and wide publicity was given in the local media within the entire region/zone.

(iii) **Mini Base Kitchen**

Detailing about the mini-base kitchens, IRCTC stated that there are approximately 250 trains with pantry cars and 468 trains are without pantry cars where Train Side Vending (TSV) is required to be provided by IRCTC. A pantry car is equipped with hot case, refrigerator, deep-freezer, boiler, gas burners and washing sink. Presently, complete process of cooking (from cutting to packaging) of food is being done in the pantry cars of Mail/Express trains. This is resulting into dirty pantry cars and preparation of food in very unhygienic conditions. Various PIL, have been filed in this regard. The pantry car problem with the existing pantry cars of three Rajdhani Trains is that the berths within the pantry car are allotted to other railway service staff traveling on the train. There is very little room for the catering staff to rest/ sleep, bath, change their clothes or keep their belongings. It is imperative that pantry cars be redesigned so as to take care of all the above requirements. Objective of IRCTC is to develop adequate infrastructure to cook food off-board and load it in the pantry cars in packed condition for onward service to passengers. The pantry cars should be cooking free and only heating and cooling arrangements should be made available. Ministry of Railways has already approved redesigning of pantry car so that only minimum level of cooking can be done. IRCTC has several base kitchens, either owned by IRCTC or by licensees. These base kitchens are catering to various trains on the railway network. The food after production is loaded into the heated insulated trolleys at base kitchen till dispatch and then despatched to the station and thereafter loaded in the pantry cars. The ultimate objective and long term goal of having base kitchens is to follow the service chain management system as it exists in flight catering. Major cooking in the pantry car is being discouraged, as per tender conditions. IRCTC proposes to run 20 mini Base kitchens under departmental operation apart from that 40 mini base kitchens which are proposed to be set up at existing departmental units, wherein the existing Railway staff are being sent back to the respective Zonal Railways. 37 licensee managed mini base kitchens (Cell kitchens) have been awarded till date by IRCTC. Four Mega base kitchens are being made in New Delhi,

Mumbai, Kolkatta and Chennai respectively with state of art modern equipments and designs. Total investment of more than 4 crores is being done to modernize base kitchens. Staff are being recruited from the Hospitality industry to update the concept. These base kitchens will provide food to departmental Rajdhanis and other trains. These kitchens will also work as feeder units for station of their location.

When the Committee desired to know from IRCTC whether any assessment of expected sales turnover through these Mini Base Kitchens has been made, the Corporation in their written reply stated that the existing departmental / Non-departmental Refreshment Rooms are being tendered as Mini Base Kitchens (Cell Kitchens). These existing units were taken over from IRCTC on "*As is where is basis*" and the sales assessment of these units was carried out by Railways. However, the concept of Cell kitchens (Mini base kitchens) is different from Refreshment Rooms as the cell kitchens are not awarded as composite tenders with attached stalls/ trolleys as in the case of Refreshment Rooms. Upgraded minimum mandatory requirements are prescribed in setting up of cell kitchens and these facilities are not available in the existing Refreshment Rooms. Licences for Mini Base kitchens (Cell kitchens) are awarded on the basis of two-packet open tender system. Parties are qualified on the basis of technical bid (Packet-A) and the financial bids (Packet-B) of the parties. Tenders are awarded to the highest bidders in the financial bid (Packet-B). In the primary stage, prominent stations with assured sales potential and passenger footfall were taken up for tenders. Feasibility of operations at stations is determined on the basis of the essential factors such as

- Location of the unit
- Size of the earmarked location
- Existing sales turnover of the said catering units and of the catering units at the adjacent sites of the proposed locations
- Facilities available at the existing catering units' viz-aviz the facilities planned
- Proximity of the customers to the location of the proposed unit
- Category of the station
- Type of clientele
- Purchasing power , status of the passengers

- Availability of catering outlets around the station premises
- Preferences, tastes, needs of the passengers at stations and traveling by trains.

(iv) **Rail Neer- Packaged Drinking Water**

The Committee have been informed that with a view to ensure that only good quality packaged drinking water is sold on railway premises and in trains, it was decided through a budget pronouncement 2002-03 that Rail Neer will be manufactured by IRCTC which will set up plants in phased manner throughout the country.

As per the information furnished to the Committee, at present IRCTC is owning and operating two (2) packaged drinking water plants, under the brand name, “Rail Neer”. These plants are located at Nangloi (Delhi) and Danapur(Bihar). IRCTC also stated that plans are also there to enhance the production capacity of both the plants from 5500 cartons per day to 8500 cartons per day (+65 %). Initially the production capacity at Rail Neer Plant, Nangloi shall be enhanced followed by Danapur plant. The necessary ground work has already been started and envisaged that positively within a span of 8 – 10 months the project shall be completed.

The Committee were also informed that in order to meet the demands of all rail users of Western and Southern parts of the country, IRCTC is planning to set up Rail Neer –Packaged Drinking Water Plants at Ambarnath in Maharashtra and Palur in Tamil Nadu. The preliminary studies have got done and necessary inputs have been incorporated from the learning experience obtained from the operation of the existing Rail Neer Plants. The final approval is awaited from Railways for taking possession of the land.

The financial performance of Rail-Neer during the last three years was as under:

	(Rs in lakh)		
	2006-07	2005-06	2004-05
Net Profit	-29.69	-109.31	-166.87

Outside Delhi/Patna area - Rs.7.00 (per bottle)

IRCTC is supplying Railneer to its licensees as well as various railway departments at the above stated rates. Moreover, the price of the Railneer is administered by Ministry of Railways. However, it has been assessed that there is a yawning gap between the limited supply from the plants and the huge demand at the stations/trains. Presently both the plants are running on three shifts and maximum capacity. To bridge the gaps between the huge demand and the limited production at the plants, IRCTC is planning to enhance the production capacity in the existing plants by +65 % and to set up two more plants under the same brand name.

(B) **Travel and Tourism Services**

India has a variety of tourism destinations and receives large number of foreign tourists from different countries. The higher end tourists are particular regarding the comfort and services during their tours/excursions. This segment of tourists is catered by Luxury Tourist Trains operated in many a countries. At present Palace on Wheel and Heritage on Wheel, two luxury tourist strains are being operated by BTDC in partnership with Indian Railways. Similarly Deccan Odyssey and The Golden Chariot are being operated by Maharashtra Tourism Development Corporation & Karnatka State Development Corporation respectively in partnership with Indian Railways. IRCTC has been mandated by Ministry of Railways to promote tourism in general and rail based tourism in particular.

(i) **Luxury Tourist Train**

When the Committee desired to know whether any proposal to ply specially designed coaches with luxurious interiors, entertainment lounge, bar and executive cuisine in partnership with ITDC/ State Department/reputed private enterprises has been mooted, IRCTC replied that considering the tourism potential in India, large number of foreign tourists coming to India and large part of India still not providing luxury travel, IRCTC planned to launch a PAN India Luxury Tourist Train, which will not only consist of the basic stay/travel rail cabins but also provide luxurious on-board during facilities, lounge, bar, spa etc. The

proposal has been approved in principle by the Board. The highlights of the proposal are:-

- The train would be owned by IRCTC.
- The train would be operated on PAN India itineraries.
- The train management would be in partnership with a suitable reputed private enterprise in the business of tourism/hospitality and with global presence and network.
- The train will consist of conventional AC coaches built by ICF.
- The construction/interior decoration/services would be aimed at international standard on luxury trains and would be better than the existing luxury tourist trains.
- The likely tariff per passenger per night would be US\$ 500.

In reply to a query for how long the above proposal is under consideration of Ministry of Railways, the Committee have been informed that Ministry has already accorded in principle approval for launch of the tourist train. However, presently the quantum of investment by IRCTC and management of the train through a joint venture company is under consideration of the Ministry.

When the Committee enquired about the various steps being taken by IRCTC to promote tourism activity in all parts of India, IRCTC replied as under:-

1. Rail Tour Packages :

For the convenience of the tourists travelling within India by rail, IRCTC has designed convenient and comfortable Rail Tour Packages. These Rail Tour Packages include to and fro confirmed journey by train, hotel accommodation, transportation and sight seeing and meals on board as well as during the tour. Some of popular tours are Delhi-Mata Vaisno Devi, Delhi-Amritsar, Delhi-Puri, Howrah-Puri, Ahmedabad-Puri, Secunderabad-Shirdi, Mumbai-Tirupati, Chennai-Tirupati, Chennai- Rameshwaram etc. IRCTC at present has 73 Rail Tour packages, which are listed on its tourism portal www.railtourismindia.com. Out of these, 49 are operational and 24 are to be operational soon. IRCTC is also launching Heritage based tourism packages. It has also formulated packages based on Tea Trail, Heritage Trail and Nature Trail.

2. Car Rentals:

Online facility for **Car Rentals** in 16 cities is also available on the IRCTC tourism portal www.railtourismindia.com.

3. Buddhist Circuit Train (For Inbound and Domestic tourists) :

Mahaparinirvan Special Train on the Buddhist circuit is a special Air-Conditioned train starting from Delhi covering Bodhgaya - Rajgir- Nalanda- Varanasi – Sarnath – Gorakhpur – Kushinagar – Lumbini - Saravasti and Agra on way back to Delhi. This unique train tour package was successfully launched in March 2007. This tour is attracting both domestic as well as international tourists.

4. Bharat Darshan Train (For General Public):

It is a special tourist train consisting of sleeper class coaches to enable tourists from different regions including small towns and rural areas to visit important centres of religious, cultural and historical places at an affordable price. The concept of “Bharat Darshan- Special Tourist Train” is primarily aimed at the tourists to travel round the country and also to promote domestic tourism. The tour cost cannot exceed Rs. 500 per person per day. The tour cost has to include travel in second class sleeper, 3 meals, accommodation in dormitory, transportation & sightseeing by non- AC buses and guide facility.

5. Hill Charters/ Steam Charters:

IRCTC also provides single window facilitation for booking of Hill Charters/ Steam Charters on different sections of Indian Railways. These sections are namely Kalka-Shimla, Pathankot-Joginder nagar, Neral- Matheran, Nilgiri-Mettupalayam and Darjeeling Himalayan Railway.

6. Train/ Coach Charters:

For tourists who wish to travel in groups for sight seeing, excursion, pilgrimage, etc. Indian Railways can provide exclusive coaches for their journey according to their programme. IRCTC provides single window facility for chartering of trains/ coaches on the Indian Railway network.

7. Rail Tourism Facilitation Centre:

For the convenience of Rail Tourists, IRCTC is opening Rail Tourism Facilitation Centres at various locations within India at important tourist

destinations. Such facility already exists at Chennai, New Delhi, Siliguri, Lucknow and Mumbai. More such facilitation centres will be coming up shortly.

Operational tie-ups have been done for the smooth operations of Rail Tour Packages, Buddhist Circuit Train and Bharat Darshan Train with hotels and transport operators. IRCTC has signed MOU with UNESCO for promotion of heritage based rail tourism. A beginning has been made by developing Heritage Rail Tour Packages on the Darjeeling Himalayan Railway.

IRCTC has taken the following steps to promote catering activities: -

Joint Venture is proposed to be entered with a reputed branded catering player to operate the on-board and related off-board catering services. Main Objectives of Joint Venture are as follows:

1. Set operating benchmarks and demonstrate excellence in onboard catering management.
2. Design Central Base Kitchens, Commissaries, pantry cars, food courts and lounges for the Indian Railways.
3. Upgrade food service facilities and working conditions including pantry car layout and equipment on board trains to allow for better quality, variety and health and safety of food.
4. Manage onboard food catering for mutually agreed trains and their supporting base kitchens on the decided corridor in the first year and additional corridors in the future.
5. Set clear training modules for food production and service based on the certification programme with testing every quarter to ensure continual improvements and consistency.

Financial performance of tour packages

As per the information furnished, the revenue earned by way of tour packages by the Indian Railway Catering and Tourism Corporation for the last three years is as under:

	(Rs. In lakh)		
	2006-07	2005-06	2004-05
Revenue earned	-126.68	-14.07	-36.52

From the above it may be seen that the IRCTC's tour packages could not fetch returns during the last three years. When asked the reasons for declining trend, it was stated that during the year 2006-07, IRCTC's role in the packaged tourism was very limited and it was confined to arranging of booking of charter trains, charter coaches and block booking of berths from railways. In such cases, IRCTC was collecting the fare, charges of railways plus IRCTC's service charges from customers. The net income to IRCTC after making payments to Railways was about 5 to 6 percent of gross revenue. After apportionment of the administrative expenses of Zonal Offices and Corporate Office, the package tourism segment was shown in losses. In the current year a lot of emphasis has been placed on development of the tourism segment. A special train has been launched for the Buddhist circuit which has been very well received. A large number of value added packages have been developed and these are proving to be very popular. IRCTC' tourism portal" railtourismindian.com" was launched in the current year and has proved to be very popular. It has received the National Tourism Award for the best tourism portal in the country. Steps are also being taken for developing a number of other products.

All these factors are resulting in rapid growth of this segment and will make it profitable on distributed cost basis.

(ii) Budget Hotels

With a view to use its surplus land, the Ministry of Railways decided to set up 100 budget hotels providing quality guest room with modern facilities, décor and ambience, affordable pricing, choice of food and beverage services on the railway network for tourists and rail users and authorized IRCTC vide their letter No. 2006/Tourism/420/4 dated 19th October, 2006 to develop them on Public Private Partnership basis under Build Operate Maintain and Transfer model. In pursuance of the order of the Ministry of Railways IRCTC proposed 100 locations and invited tenders for 29 sites. Out of 29, tenders for 20 sites have been finalized. Meanwhile, Railway Board pended allotment of railway land to IRCTC.

When asked to know the reasons for putting on hold the 29 budget hotel sites, IRCTC in their written reply submitted that Railway Board vide their letter No. 2007/LML/13/5/6 dated 21.02.2007 had stated that the matter of fixing norm and modalities for spare land to IRCTC, Rail Land Development Authority, Mumbai Rail Vikas Corporation etc. for various uses is under consideration of Board. Until a policy decision is taken by Board and advised to Zonal Railways, handing over of sites to IRCTC for Budget Hotel may be pended. IRCTC had taken up the matter with Ministry of Railways and the matter of allotment of Land to IRCTC has been partially resolved as follows:-

1. Out of 20 stations for which the bids have already been finalized and LOA issued and security deposit collected by IRCTC, 15 stations leaving 5 stations coming under the identified world class stations, may be concluded by IRCTC.
2. For the 9 locations where bids have already been invited but not yet finalized, IRCTC will go ahead excluding 2 world-class stations.
3. The issue of setting up of Budget Hotels on remaining 71 identified locations and also the revenue sharing ratio between IR and IRCTC will be reviewed by the Railway Board in due course.

When asked about the magnitude of delay occurred on account of delayed clearing of the pended budget hotels, the Committee were informed that the decision of setting up of 100 budget hotels across the Indian Railways network was approved by the Board in 2006, long before the concept of world class stations was mooted in 2007. IRCTC had finalized tender for budget hotels at 20 locations and invited tenders for 9 locations. However, setting up of budget hotels at 8 locations (i.e. Carnac Bunder, Agra, Pune, Chennai, Chandigarh, Anand Vihar, Secunderabad and Habibganj) which have been identified for development as world class stations, has been reviewed so as to avoid conflict between development of budget hotels and world class stations. There was a delay of about one year on this account.

In a further reply, the IRCTC apprised the Committee that as per note for the Cabinet, setting up of 100 budget hotels in station premises at places of tourist importance was provided.

When further asked as to when these budget hotels are expected to operationalise, the Committee were informed by IRCTC that budget hotels are expected to become operational within 24 months from the approval of plans from local authorities.

(C) IT SERVICES

(i) Booking of Rail Tickets through Internet

The details of Average Booking (E&I) per day (month wise) for the last 6 months is as under:-

Month	No. of tickets
July-07	37571
August- 07	41633
Sep -07	54262
October -07	55485
Nov-07	59462
December-07	59392

In reply to a query whether it is true that IRCTC is losing its market share to specialized travel portals, IRCTC submitted that IRCTC has given the Rail Ticketing facility to travel portals like Make my Trip, Yatra.com and others, Bookings made by them are almost negligible. Presently there is no competition for IRCTC in rail reservation. All bookings are being done through our portal www.irctc.co.in.

On the question whether the company has analyzed the reasons as to why other portals are preferred over IRCTC and what is IRCTC's marketing strategy to boost their market share, IRCTC replied as under:-

“All Internet Railway Ticket Booking are being done by IRCTC portal only. So no share is being lost in competition with these portals. To boost booking through Travel portals of IRCTC, Railway Board vide their letter No. 2004/TG-I/23/P dtd-03.8.06 had authorized IRCTC to appoint agents. Presently more than 15000 agents of IRCTC are booking 22% of Internet ticket booking.”

The Committee observed that other specialized travel portals are focusing on discount holiday packages with a tie up with many more Indian and global parties. When the Committee asked IRCTC to specify any plan to enter into tie

up with public/private operators/hoteliers to boost the market share, the Corporation informed as under:

IRCTC is offering mainly rail based tourism products which are as below.-

Rail Tour Packages: There are four packages within India with train travel, hotel accommodation, and sightseeing included. For these, IRCTC has tied-up with hotels, transport providers to provide the requests of services to its guests based on the tour packages. There are 70 rail tour packages on offer for the customers at present.

Bharat Darshan Trains: IRCTC has selected the tour operators based on tendering. At present there are two rakes operated from West and one from South.

Buddhist Special Train: IRCTC is offering a special tour for Buddhist pilgrims for India as well as abroad for servicing our valued guests. IRCTC has tied up with an hotelier having a good presence their circuit for providers off board services. For promoting this train in South East Asian countries IRCTC has appointed its GSA's in Thailand, Korea etc.

Car Rental: For car rental service, IRCTC has tied up with well-known car rental agencies in 18 locations within India. For e.g. Carzone rentals, Mega Corporation Ltd., Maruti Travels Ltd, Bharat International Ltd. etc.

Hotel Booking: Hotel booking software is under development for IRCTC tourism portal. Once the software is ready, IRCTC will offer online hotel reservation facility to its customers.

(ii) Integrated Train Enquiry System-Rail Sampark

The Committee have been informed that IRCTC is planning to put in place an Integrated Train Enquiry System (ITES) at various places. When desired to know the details about the ITES, it was informed that IRCTC has implemented the provision of Integrated Train Enquiry System through a number '139'. This number is available across India without STD to the subscribers of MTNL, BSNL, Vodafone, Spice, Garuda, Cellone & Idea. The services from other Telecom service provider such as Airtel, Tata Indicom, Reliance & Aircel shall be available shortly. Through this Integrated Train Enquiry System the services provided are:

- ❖ PNR Enquiry
- ❖ Current Train running position
- ❖ Accommodation availability
- ❖ Fare Enquiry

This project has been implemented on PPP Model wherein private firm namely M/s Bharat BPO has borne the entire expenditure. M/s Bharat BPO will have the revenue share arrangement with various telecom service providers. The main features of Integrated Train Enquiry System is as under:

- i. ITES consists of four centres (North, South, East & West) to handle calls. Each centre will consist of a Zonal Hub and a call centre.
- ii. The zonal hubs are located in the PRS centres at Delhi, Mumbai, Chennai & Howrah. This is where the servers and the IVRS (Integrated Voice Response System) equipment is located and is the place where all calls land.
- iii. The call centre is where the agents will be located and where all the manual responses will be handled.
- iv. No capital or operational expenditure is being incurred by Railways for implementation of this work.
- v. All basic enquiries shall be available on telephone No. '139'.
- vi. These enquiries will be accessible from all telecom service provider irrespective of the type of telecom service (basic, mobile, WLL services etc.).
- vii. A provision has been kept to redirect the caller to a human agent.
- viii. Multilingual service (In addition to Hindi & English, the following options will be available in the regional call centres. To begin with: West-Marathi / Gujarati, South-Tamil / Telugu / Malayalam / Kannad, East –Bengali / Oriya / Assamese.
- ix. 1500 Trained agents have been deployed to handle the manual enquiry in all the four regional call centres. This system has capacity to handle 20 lakhs call per day.

CHAPTER IV

FINANCIAL PERFORMANCE

The financial performance of IRCTC during the period from 2004-05 to 2006-07 is detailed as under: -

(Rs. in crore)				
Sl. No.	Particulars	2004-05	2005-06	2006-07
1	Profit before tax (pre-tax)	7.93	31.64	30.00
2	Net Profit	5.21	19.78	20.22

It is also stated that the Company has entered into Performance MoU with Ministry of Railways for the year 2006-07. The performance of the Company as per MoU evaluation criteria is enclosed (as per Annexure-I). From the above, it may be seen that there has been a sudden jump in the profit of Company during the year 2005-06. On being asked as to what led to accrual of huge profits during 2005-06, IRCTC informed through their written note that during the year 2005-06, the gross profit of the Company increased from Rs. 7.93 crore during 2004-05 to Rs. 31.64 crore and Net Profit of the Company increased from Rs. 5.21 crore to Rs. 19.78 crore.

As regards the steps taken by it which led to accrual of huge profits during 2005-06, IRCTC informed the Committee as under:-

- The licensee trains and catering stalls taken over from Railways were awarded on tendering which led to increase in the concession fee income from Rs.6.18 crore during the year 2004-05 to Rs. 13.00 crore during the year 2005-06. Income from licence fee increased from Rs.12.78 crore during the year 2004-05 to Rs. 39.48 crore during the year 2005-06.
- Income from Internet Ticketing increased due to introduction of E-Ticketing facility. Income from internet Ticketing increased from Rs. 5.84 crore during the year 2004-05 to Rs. 11.37 crore during the year 2005-06.
- Judicious deployment of surplus funds, yielded interest income. The interest income increased from Rs. 2.88 crore during the year 2004-05 to Rs. 4.94 crore during the year 2005-06.
- During the year, the entire departmental catering business was transferred to IRCTC. Income from commission from vending contracts increased from Rs.85.83 lakh during the year 2004-05 to Rs.240.98 lakh due to transfer of large number of such contracts to IRCTC.

From the above table, it is noted that there is a decline in the profitability of the Company during 2006-07. The Committee were informed that the decline in

the profitability of IRCTC was due to the imposition of the haulage cost by the Ministry of Railways. When asked to give a detailed account of reasons and compulsions for such levy by the Ministry, it was explained that Ministry of Railways issued instruction dated 30/1/2007 with regard to payment of Haulage cost of pantry cars, wherein it was stated that full marginal cost of haulage of pantry cars, will be borne by IRCTC. However, for the year 2006-07, after keeping the gross profit of Rs.30.00 crores, whatever is the surplus will be paid by IRCTC to Indian Railway as pantry car haulage charges. Once IRCTC starts paying the marginal cost of haulage in full, Indian Railways share of licence fee for mobile units (15%) plus payment of 5% as maintenances cost of pantry cars would be reviewed and suitably reduced. The reasons and compulsions for levy of such charges were not made known to the IRCTC. It was also added that the haulage cost for the pantry cars being levied on IRCTC adds at least 10% to the overhead cost. This will affect the quality of food and services on mobile units unless tariffs suitably revised. Catering service is a passenger amenity, and in the present costing of a meal, this element has not been noted and it is not possible to transfer this cost to passenger also. IRCTC has requested the Ministry of Railways for withdrawal of the same.

When the Committee desired to seek justification for levy of haulage cost for pantry cars, the Ministry of Railways in their written note submitted that Ministry of Railways has decided to levy haulage cost for pantry cars as Indian Railways are incurring losses from catering services amounting to Rs. 494.46 crore in 2005-06.

(i) **Financial Performance of Departmental Catering vis-à-vis licensee catering**

The profitability statement of licencees vis-à-vis departmental catering for the period 2003-04 to 2006-07 as furnished by IRCTC is as under:

(Rs in lakh)

Particulars	2003-04	2004-05	2005-06	2006-07
Departmental catering	-88.23	-521.98	-1362.39	-1915.99
Licensee Catering	1249.84	1470.84	4484.19	5016.96

From the year-wise profitability statement of License Catering vis-à-vis Departmental Catering furnished by the Company, it is seen that while Licensee Catering has been consistently making profits during the period 2003-04 to 2006-07, the Departmental Catering has been continuously incurring losses since 2003. Giving reasons for such state of affairs, it was submitted to the Committee that transfer of departmental catering business along with manpower was started in phases. Few departmental units were transferred by Railways (taken over) to IRCTC with effect from 1.01.2004, on as is where is basis. During the period 1.01.2004 to 31.03.2004, the Corporation incurred a loss of Rs.88.23 lakh. During the year 2004-05, few more departmental units were transferred/taken over, however the units, which were taken over on 1.01.2004, worked for full year, which led to losses of Rs.5.22 crore. During the year 2005-06, the entire departmental catering business was transferred to IRCTC and the losses of the departmental business were Rs.13.62 crore. Losses during the year 2006-07, went upto Rs.19.16 crore. The reasons for such state of affairs were summarized as under:-

- Catering was a loss making activity for railways.
- Prices of the products/catering items are administered by Ministry of Railways.
- No price revision since 1999.
- Huge staff/wage cost.
- Many of the expenses such as foreign service contribution towards pension and leave salary, staff accommodation cost, staff medical cost, electricity charges etc. were not charged to catering accounts by Ministry of Railways. However, when the business was transferred to IRCTC, such costs were required to be charged to profit and loss account of the Corporation, as the system of accounting was changed from cash basis followed by government to mercantile basis followed by the companies.
- Inherent weaknesses of the system transferred to IRCTC.
- After takeover from Railways, the loss making Departmental Mobile Units were licensed out in a phased manner. The staff deployed on these units became surplus, which resulted in cumulative losses in form of wages and salaries. The income generated from the licensed mobile units was accounted under licensee income.

About the remedial Measures taken by IRCTC to reverse the declining trend and to achieve profitability, the Committee were informed as under:-

1. Professionals and technically qualified staff have been inducted and deployed in Catering Units.
2. Combo meals have been introduced keeping in mind the regional choice.
3. The sale of Janta Meals (Poori Pkt) has been strengthened significantly.
4. Incentive/commission on sale of Janta Meals to Departmental Staff was introduced.
5. Repatriation process for surplus Group-D staff is on the anvil

As regards the comparative analysis of the financial performance of departmental catering vis-à-vis licensee catering, it was stated that while the licensee catering business is a profit making business since inception, the departmental catering business is loss making since takeover. The losses in the departmental catering business are primarily due to huge staff costs and due to providing of Foreign Service Contribution in respect of approximately 5000 number of deemed deputationists employees.

When asked as to whether haulage charges are justified or commensurate with the usage of Railway properties, IRCTC submitted that the haulage cost was not a part of the catering accountal system. Even before formation of IRCTC, this cost has also not been included in the cost of meal. Catering service is a passenger amenity item and the haulage cost need not be added to the cost of the meal. Moreover, it is not possible to transfer this cost to the passenger also.

(ii) **Modernisation and Upgradation**

On details of various projects undertaken/proposed to be undertaken for modernization and upgradation of existing facilities, IRCTC in their written reply indicated to have undertaken:-

- Modernization and upgradation of IT related infrastructure.
- Modernization and upgradation of Base Kitchens at New Delhi, Kolkata & Chennai M/s. RITES have been engaged by IRCTC as consultant for obtaining ISO 22000:2005 certification for these Base Kitchens. M/s. RITES have conducted the GAP analysis and have submitted the Pre

Requisite Programmes, HACCP (Hazard Analysis & Critical Control Point) plans, flow charts etc. The documentations necessary have already been initiated for these three Base Kitchens and preparation for ISO 22000:2005 are in final stages.

- Modernization of Static Catering Stalls
- Up gradation of Pantry Cars
- Up gradation and modernization of Refreshment Rooms and Mini Base Kitchens (Cell kitchens)

On the question of adequacy of funds for modernization of existing facilities, IRCTC replied that in the past, the company had adequate funds for Modernization of existing facilities, but during the year 2006-07, Ministry of Railways has capped the gross profit of the company at Rs.30.00 crore, by imposing haulage charges. During the year 2006-07, IRCTC has provided for haulage charges of Rs.30.21 crore in addition to payment of revenue share of Rs.20.00 crore and dividend of Rs.4.00 crore for Ministry of Railway. IRCTC has represented to Ministry of Railways stating that catering is a passenger amenity; hence haulage charge should not be imposed on IRCTC. If the instructions with regard to haulage charges are withdrawn, IRCTC would be able to meet capital expenditure for modernization of existing facilities from its internal accruals. Catering infrastructure needs to be developed to come up with the expectations of the general public.

CHAPTER V

OUTSOURCING

The details of the various works which were awarded for execution through outsourcing by IRCTC during the last three years, have been furnished as under:-

1. Enterprise Resource Planning (ERP)

IRCTC decided to implement an ERP system to enable it to manage the catering business transferred to IRCTC by the Indian Railways as well as to manage other business in an efficient and cost effective manner without adopting traditional manpower intensive system. The contract was finalized in July 2002, and the process of customizing Oracle Aps, Oracle E business suite 11i in accordance with the requirement of corporation business has been completed. Human resource management system, payroll, property manager for licensees have been covered in business units of Corporate Office, Internet Ticketing, Railneer Plant, Departmental Catering, Licensee Catering, and Tourism Department. All zonal offices North/East/West/South and South Central Zone are connected through railtel network with the ERP servers.

Benefits of ERP

Integrity: The built in systems and controls ensures integrity of a system. No back dated transactions/deletion of transactions can be recorded in ERP system after their validation.

Transparency: Complete trail back facility from General ledger to each sub ledger exist.

Efficiency: Computer application audit technique can be easily utilized in ERP based system. This helps in increasing efficiency of internal auditor.

Data security: Access rights are given to limited users. This helps internal auditor in forming view on data security levels.

Centralized view on internal controls: Internal] auditor can from a centralized view on internal control systems prevailing in the organization.

High accuracy levels: Computation of depreciation and lease maintenance etc. done by ERP system ensured high accuracy levels. This saves lot of time of internet auditor in checking the computation of such details.

2. Post implementation support, development and maintenance of internet ticketing website www.irctc.co.in of IRCTC.

The work involves all development work at IRCTC in connection with internet ticketing business of Indian Railways. The support provided by Broad Vision covers.

1. Project management responsibility for the site www.irctc.co.in
2. Development and maintenance work for Broad Vision one-to-one enterprise as per the resources available.
3. Data Base related activities
4. System administration related activities.

On Aug 03,2002 internet ticketing operations of IRCTC launched in collaboration with CRIS from average sale of 112 tickets in Aug 2002, the site now books over 50000 tickets (average) daily. In Aug, 05, E-ticketing services were launched for only two Shatabadi and now 80% of tickets booked over internet are e-tickets. On 22 Feb 2006, scheme for frequent travelers (SOFT) was launched which has more than 23000 members. Apart from SOFT SBI in collaboration with IRCTC has launched a co branded credit card. On 1st April, 2006, booking of Mumbai Suburban Season Tickets through internet was started. Proof of concept for booking e-tickets through ATMs has been approved.

Year-wise booking of ticketing through website www.irctc.co.in are as under:-

Bookings			
Year	No. of tickets	No. of passengers	Ticket fare
2002-03	199133	417379	263845672
2003-04	728404	1529790	985648658
2004-05	1281033	2685252	1698658625
2005-06	2573612	5404358	3170644554
2006-07	6823481	13136339	6786392229
Grand Total	11605663	23173118	12905189738

3. Post implementation support of Corporate portal www.irctc.com

Portal of IRCTC has following features:-

Sl. No.	Particulars	Options
1.	Employees self services	Leaves, loans, salary, grievance, training etc.
2.	Employee work list	Leaves, grievance and adhoc workflow
3.	Tourism bookings	Spl coach, train, charter and hotel stay
4.	Procurement	Tenders, RFQs and supplier registration
5.	Suggestions, feedback and vigilance complaints	
6.	General information and announcement	

4. Development of Rail Enquiry Application (REA)

Approval of Railway board for setting up of call centre for integrated train enquiry system of Indian railways was given to IRCTC on 30 May 2006, in association with CRIS. Under this project Rail Enquiry Application (REA) bringing all features of Passenger Reservation System (PRS) and National Train Enquiry System (NTES) has been prepared by CRIS and Zonal hubs at Delhi, Kolkata, Chennai and Mumbai has started operations.

5. Development of tourism portal of railways www.railtourismindia.com

IRCTC has planned to undertake tourism business in a big way. It has been decided to enhance the functionality of the exiting online booking site to include booking for the following items:

1. Tourism trains including luxury trains like Palace on wheels, Deccan Odyssey.
2. Heritage of wheel and Mahaparinirvan special .
3. Hill trains.
4. Centralized IRCTC hotels booking (extendable to non IRCTC hotels).
5. Booking for special charters, Charter Coaches, Charter train, tourist coaches.
6. Other tourism products such as car rental and tour packages etc.

There is no centralized on line system available for these facilities like PRS. IRCTC has designed on line booking system where booking of special

trains/ luxury trains, tour packages, car rental services, booking of hotels can be provided. The system has been made on line in March'07 and is undergoing further development.

6. Operation and Maintenance of Packaged Drinking Water Plants (Railneer) at Nangloi and Danapur

IRCTC has set up two Railneer Plants at Nangloi and Danapur. The operation and maintenance of the Plants has been outsourced to M/s ION Exchange India Limited for a period of five years from the date of commencement of commercial production. The distribution of the Railneer is being made in parliament House, Railway Board, and various Railway Stations in New Delhi, Haryana and Punjab, Uttar Pradesh, Uttar Pradesh, Uttaranchal, Jammu, Himachal Pradesh, Rajasthan, Madhya Pradesh, Bihar, Jharkhand, West Bengal, Orissa, and Assam etc. and various trains originating from the New Delhi and Kolkata. The results of the tests carried out by accredited laboratories on Railneer Packaged Drinking Water; indicate that the quality of Railneer conforms to European Economic Community (EEC) norms for pesticides residue, a unique distinction indeed.

PART – B**RECOMMENDATIONS/ OBSERVATIONS OF THE COMMITTEE****RECOMMENDATION NO. 1****Mini Ratna Status**

The Committee note that IRCTC was incorporated on 27th September, 1999 as a limited company to professionalize and manage catering and hospitality services in railways and to promote domestic and international tourism. To achieve their objectives, IRCTC has undertaken various initiatives and has been able to get commendable success in some of the areas. However, in certain areas such as catering services, rail-neer packaged drinking water etc. IRCTC's performance has been far from satisfactory. The Committee have been informed that due to catering activities covering 3152 railway stations being largely in unorganized sector, lack of standardization, well-entrenched catering contractors, competition from low cost carriers etc., it is facing difficulties in achieving its intended objectives. In the opinion of the Committee, hospitality industry in the country has undergone a tremendous change in the last few years leading to a greater competition in the sector. Institutional catering operations too have undergone vast changes and there is an increase in emphasis on hygienic and better quality food. As such it is increasingly imperative for IRCTC to perform in a more professionalized and efficient manner. In this connection, the Committee note that IRCTC has submitted a proposal to Ministry of Railways for grant of Mini-Ratna status and the

same is under consideration of the Ministry. The Committee have also been informed that the IRCTC fulfils all the conditions required for claiming Mini-Ratna status. The Committee, therefore, desire the Ministry to expedite the proposal so that the Mini-Ratna status can be accorded to IRCTC enabling it to have desired functional autonomy for managing the Company in a professionalized manner.

RECOMMENDATION NO. 2**Board of Directors**

The Committee find that the post of Managing Director on Board of Directors of IRCTC has been lying vacant since 23rd October, 2007 and Director (Tourism and Marketing) has been entrusted with the additional responsibility of Managing Director. The Committee have been apprised that the recruitment process is on and likely to be completed soon. The Committee are of the opinion that the vacancy of Managing Director in any organization particularly with commercial venture like IRCTC for considerably longer time have cascading effect on the efficiency of the company. They, therefore, desire that the recruitment process for filling up the vacancy of Managing Director should be completed urgently so that a duly appointed MD is in office without further loss of time. The Committee further note that besides the vacancy of MD, there are three other vacancies existing on the Board of Directors of IRCTC, namely Director (Finance) and two non-official Directors. The recruitment process for filling up of these vacancies is said to have been initiated. The Committee desire that the vacancies of Director (Finance) and two non-official Directors should be filled up expeditiously.

RECOMMENDATION NO. 3**Staff Strength**

The Committee note that IRCTC took over catering services from Indian Railways on *as is where is basis* alongwith the catering staff on deemed deputation basis. The deemed deputationists staff is being repatriated to the Railways and simultaneously a review is also being undertaken to determine the manpower requirement of the IRCTC. The Committee have been informed that as on 31st December, 2007, IRCTC had a total staff strength of 5521 and out of which 4221 were deemed deputationists staff comprising of 1094 Group C and 3127 Group D employees. The Committee have been informed that in its repatriation process of these deemed deputationists staff, which is taking place in phased manner, till now a total of 790 Group D staff has been repatriated to the Railways and the balance of Group D staff is also likely to repatriated in 2008 itself. Regarding Group C staff, the Committee, however, note that Ministry of Railways has not indicated any time-frame for completion of repatriation process. The Committee are of the opinion that due to non-fixation of any time-frame for the completion of repatriation process of Group C staff, the planning for induction of new staff is likely to suffer. The Committee, therefore, recommend that the repatriation of Group C staff should also be completed within a stipulated time-frame so that a proper planning could be done for recruitment of new staff for smooth running of its mandated activities.

RECOMMENDATION NO. 4**Imposition of Haulage Cost**

The Committee find that during the year 2006-07, the gross profit of IRCTC was capped by the Ministry of Railways by issuing a directive that full marginal cost of haulage of pantry car will be borne by IRCTC and that for the year 2006-07, after keeping the gross profit of Rs. 30 crore, the surplus money will be paid by IRCTC to Indian Railways as pantry car haulage charge. Once IRCTC starts paying the marginal cost of haulage in full, Indian Railways' share of License fee for mobile units (15%) plus payment of 5% as maintenance cost of pantry cars would be reviewed and suitably reduced. The Committee note that contesting the decision of the Ministry, IRCTC tendered a contention that since catering service is a passenger amenity, haulage cost cannot be added to the cost of meal. Moreover, the haulage cost for pantry car will add at least 10% to the overhead costs and will affect the quality of food and services on mobile units, unless tariffs are suitably raised. Justifying the imposition of haulage cost on IRCTC, Ministry of Railways have stated that they have decided to levy haulage cost for pantry cars as Indian Railways has incurred losses for catering services amounting to Rs. 494.46 crore in 2005-06 alone. A sizeable portion of these losses is on account of haulage cost of pantry cars. The Committee are surprised to note that how Ministry of Railways can put a cap on the gross profit of IRCTC by imposing an

abrupt and arbitrary decision on IRCTC. The Committee have been further informed by IRCTC that there was no such provision in the Memorandum of Understanding 2006-07 signed between the IRCTC and Ministry of Railways. The Committee fail to understand as to how the Ministry of Railways have levied haulage charge in the absence of any such clause in MoU. As regards the tenability of haulage cost, the Committee feel that since this being passenger amenity, the pantry car is normally attached to the trains with a view to provide on board catering services to the rail passengers, imposition of haulage charges would affect the profitability of the company as this extra cost cannot be transferred to the passengers. Since haulage cost for pantry cars levied on IRCTC adds at least 10% to the overhead cost, which would affect the quality of food and services on mobile units, unless the tariffs are suitably raised, in this regard, the Committee recommend that the request of IRCTC for withdrawal of haulage cost should be considered favourably so that the company is not forced to transfer this cost to the passengers using catering services.

RECOMMENDATION NO. 5**Budget Hotels**

The Committee note that with a view to utilise its surplus land commercially, the Ministry of Railways decided to set up 100 budget hotels in the vicinity of the railway stations for tourists and rail users and authorized IRCTC to develop them on public private partnership mode in 2006. The Committee further note that IRCTC which identified 100 locations for the purpose, simultaneously initiated the tendering process for 29 sites and requested the Ministry of Railways to give its clearance for allotment of land.

The Committee, however, note that during the year 2006-07, Ministry of Railways put on hold the process of handing over of 29 budget hotel sites on the pretext that the matter of fixing norm and modalities for sparing of land to IRCTC, Rail Land Development Authority, Mumbai Rail Vikas Corporation etc for various uses was under consideration of Railway Board and that the Government is reviewing the proposed sites with a view to develop world class station. The Committee have further been informed that after IRCTC again took up the matter with the Railway Board, Ministry of Railways decided to clear 21 sites, leaving 8 sites for development of world class stations. The Committee are distressed to note that due to the sudden introduction of Government's new concept of developing world class stations on the identified sites of IRCTC in 2007, the process of clearing the sites for construction of budget hotels got delayed by almost

one year and created a conflict between the process of development of budget hotels and world class stations at the proposed sites. The Committee desire that this conflict should be resolved expeditiously and therefore, recommend that in order to avoid any conflict between development of budget hotels and world class stations, Ministry of Railways should first undertake a review of all the remaining sites identified by IRCTC for the purpose of developing world class stations by stipulating a time- frame so that no delay is caused in finalizing the sites for the development of budget hotels of IRCTC.

RECOMMENDATION NO. 6**Rail Neer-Packaged Drinking Water**

The Committee have been informed that with a view to provide the good quality packaged drinking water on railway premises and in trains, IRCTC presently owns and operates two Rail Neer manufacturing plants at Nangloi (Delhi) and Danapur (Bihar). Since its inception, Rail Neer has been highly popular among the bonafide railway passengers since the brand was providing good quality drinking water of international standards and is cheaper when compared to other brands, at the nominal rate of Rs.10/- fixed by Ministry of Railways. However, the Committee are surprised to note that despite the good market of Rail Neer, it has been continuously showing losses. Regarding the reasons for loss, IRCTC clarified that the loss was due to the transfer of Railneer-packaged drinking water to other outlets (Catering units) at various Railway stations on stock transfer price @ of Rs.7.00 per bottle of 1000ml. Further, Railway Board has fixed procurement price of Railneer at the following rates: - In Delhi and Patna area-Rs.6.50 (per bottle), Outside Delhi/Patna area-Rs.7.00 (per bottle). IRCTC is supplying Railneer to its licensees as well as various railway departments at the above stated rates. The Committee recommend that the procurement prices of Rail Neer should be suitably rationalized to offset the losses occurring to IRCTC due to its under price sale to its licencees and other catering units.

The Committee further note that as a part of IRCTC's strategy to make available Rail Neer to maximum number of trains and static units, there is a plan to enhance the production capacity of Rail Neer Plant, Nangloi from 5500 to 8500 cartons per day followed by Danapur Plant, for which the necessary ground work is being done. Further, as a continuation of the original plan to set up additional Rail Neer Plants to strengthen the supply logistics, two locations have been identified i.e. Palur in Tamilnadu and Ambernath in Maharashtra. The preliminary studies have been got done and necessary inputs have been incorporated from the learning experience obtained from the operation of the existing Rail Neer Plants. The final approval is awaited from Railways for taking possession of the land. The Committee find that there is a huge demand of Rail Neer in the market but due to inadequate supply by IRCTC, certain other brands are also managing to sell their packaged drinking water at railway stations premises thereby eroding the profitability of the Company. The Committee, therefore, desire that besides enhancing the capacity of existing two manufacturing plants, the IRCTC's plan to set up two more plants at Tamil Nadu and Maharashtra should be expeditiously finalized and recommend that the proposal for final approval of the land which is currently awaited from the Ministry of Railways should be accorded at the earliest.

RECOMMENDATION NO. 7**Luxury Tourist Train**

The Committee note that IRCTC has been mandated by Ministry of Railways to promote tourism in general and rail based tourism in particular. The Committee have been informed that in order to promote tourism in the country, it has mooted a proposal to launch a PAN India Luxury Tourist Train with specially designed coaches with luxurious interiors, entertainment lounge, bar and executive cuisine in partnership with ITDC/ State Department/reputed private enterprises. The Committee have been informed that the said proposal has been approved in principle by the Board and presently the quantum of investment by IRCTC and management of the train, through a joint venture company, is under consideration of the Ministry. The Committee feel that in the quest for tapping the huge potential of tourism in different areas of our country, there is a need to run more such luxury trains to cover whole of India and to cater to the travel needs of the high end Indian & foreign tourists and, therefore, Ministry of Railways should extend its full support to IRCTC proposal and clear this project at their earliest by taking an 'in principle' policy decision in this regard.

RECOMMENDATION NO. 8**Rail Tour Packages**

The Committee note that in order to promote rail-based tourism in the country, IRCTC has designed 73 tour packages and out of these, 49 are presently in operation. Some of the popular tour packages which offer the facilities of to and fro confirmed journey by train, hotel accommodation and sight scene etc. are Delhi-Mata Vashno Devi, Delhi-Amritsar, Delhi-Puri, Howrah-Puri, Ahmedabad-Pune, Secunderabad-Shirdi, Tirupati-Chennai, Chennai-Rameshwaram etc. From the financial performance of these tour packages during the last three years, the Committee are surprised to know that there has been a continuous loss of revenue to the Company. Explaining the reasons, IRCTC stated that during the year 2006-07, its role in the tour packages was very limited and it was confined to the arranging of booking of charter trains, charter coaches and block booking of berths from Railways. In such cases, IRCTC was collecting only the taxes, charges of Railways plus IRCTC's service charges. The net income to IRCTC after making payment to Railways was about 5 to 6% of the gross revenue. After apportionment of the administrative expenditure of zonal office and corporate office, the package tour of IRCTC revenue turned out to be in losses. The Committee fail to understand how IRCTC, which was mandated to promote tourism in general and rail based tourism in particular, was reduced to a mere travel agent for Indian Railways during

these years. The Committee are of the opinion that though IRCTC has put in efforts to design various rail packages, and has launched a rail tourism portal which has proved to be very popular also, yet failed to take initiatives to market these packages. The Committee, therefore, recommend that IRCTC should take all necessary initiatives including popularizing their tour products through print and electronic media. The Committee also recommend that IRCTC should focus on designing more affordable tour packages considering the requirements of the various age-groups and sections of the society such as students, senior citizens, Government employees as also suitable attractive packages for foreign tourists. The Committee strongly believe that if new tour packages are designed in tune with the taste and the requirement of these aforesaid groups, the Company can fetch good returns from this segment.

RECOMMENDATION NO. 9**CATERING POLICY**

The Committee note that catering activities of IRCTC which were taken over from Indian Railways in 1998 on *as is where is basis* are governed by the Catering Policy 2005 of the Ministry of Railways. In order to modernize and upgrade the catering activities of IRCTC, the Ministry of Railways brought a Revised Catering Policy. One of the main features of the Extant Catering Policy is to lay down technical criteria to ensure that only experienced business entities with specified turnover, experience in catering/hospitality sector are selected through tender process so that quality catering services are provided to the rail passengers. The Committee also note that with a view to provide catering services of highest quality to their rail passengers, IRCTC has taken a number of initiatives like setting up complaint monitoring cells at major locations to handle related complaints through computerized system, circulation of feed back performa to assess the expectations of customers and to pinpoint the grey areas, remedial measures by quality inspectors after inspection at source point, hiring of international food audit system or betterment of services etc. The Committee are, however, surprised to note that despite all the initiatives taken by the IRCTC / Ministry, the quality of catering services could not be improved as complaints against the existing catering licensee for poor quality services, over charging, non-working of pantry car equipments, under-supply of food, improper and unhygienic

cooking methodology, poor service technique etc. are pouring in incessantly. IRCTC is blaming the Catering Policy of the Government as it is unsupportive to the selection of quality catering licensees. IRCTC informed the Committee that prior to the evolution of catering policies, catering services on stations were being managed by individual propriety firms, partnership firms etc. without any tender system for licensing. Since these catering units were awarded licenses without going through any tendering process and evaluating their technical capabilities, they have been providing sub-standard and adulterated food services at the rail stations staking the image of IRCTC. The Extant Catering Policy has not taken care of the fact that catering units/individual propriety firms, having no technical know-how are still continuing to provide catering services at railway stations which is substandard and adulterated as per the version of the IRCTC. Thus, catering practices by such firms/individuals have a damaging effect on the credibility of IRCTC. They also observe that there is widespread unauthorized vending prevalent at the railway stations which the existing catering policy has not addressed to and has neither suggested nor appeared to have taken preventive measures. In the light of the fact that the Catering Policy has not dealt with a number of grey areas, which is badly affecting the working of IRCTC and its public image, the Committee feel that the so called Revised Catering Policy 2005 with particular reference to the selection process of quality catering licencees is required to be re-looked. The Committee also desire that while making a

review of the Catering Policy, the suggestions of IRCTC may be called for and suitably looked into so that IRCTC can carry out their mandated activities and fulfill the aspirations of the rail users.

RECOMMENDATION NO. 10**Food Plazas**

The Committee have been apprised that with a view to setting up of food plazas to provide multi-cuisine food outlets giving a variety of choice for eating at market prices at 183 sites, the IRCTC had invited tenders during the year 2006-07 in line with the Ministry of Railways policy. The Committee, however, note that due to poor response from the public out of 183 sites, 122 sites, primarily at smaller stations where food plazas were not found to be financially viable are being re-tendered by IRCTC. The Committee feel that while identifying sites for setting up of food plazas, IRCTC has not undertaken any proper assessment which is indicative of the fact that there was neither any vision of the company nor any feasibility study of the sites done in this regard. The Committee, therefore, recommend that before embarking upon any identification process for development of food plazas, IRCTC should undertake a thorough feasibility study of the sites for setting up food plazas.

RECOMMENDATION NO. 11**Price Revision**

The Committee note that the prices of most of the food products / catering items that are being presently sold at railway stations and in trains were fixed by the Ministry of Railways in 1999. The Committee understand that prices of the inputs have increased manifold since 1999 and no revision of the prices of catering items has been undertaken since then which has badly affected the quality of the catering products and financial health of IRCTC. The Committee desire that the price of the products should be reviewed and revisions / adjustments if required should be made at the earliest. In future, the pricing policy of beverages and food articles including its quality and standard should be reviewed periodically.

The Committee further desire that IRCTC should economise their expenditure by way of reducing overhead charges.

RECOMMENDATION NO. 12**Food Audit by an Indian Agency**

The Committee are constrained to note that for the purpose of undertaking food safety and hygiene audit, IRCTC has engaged an international Agency namely, M/s TUV SUD South Asia. The Committee express their strong displeasure over the decision of appointing a foreign firm for examining the quality of Indian food. In the opinion of the Committee, since IRCTC is mandated to provide a good quality food to their customers, majority of whom are common people who prefer to have simple and wholesome food at an affordable price, the Swiss firm, which may possibly be apt to examine the food from hygienic point of view but not be in a position to examine the quality of Indian food. The Committee, therefore, recommend that the decision for getting the food audit conducted by an International firm should be discouraged and instead, a qualified Indian agency should be appointed for examination of the food quality.

New Delhi
28th April, 2008
08 Vaisakha 1930 (Saka)

Rupchand Pal
Chairman
Committee on Public Undertakings

Annexure-I**PERFORMANCE EVALUATION AS PER MOU CRITERIA FOR THE YEAR 06-07**

SI No.	Criterion	Unit	MOU Target	Actual Achievement	Reason For Variation
			2006-07	2006-07	
Part A	1. Static Financial Parameters (50%)				
(a)	Financial Performance Indicators				
	(i) Gross Margin/ Gross Block	(%)	17.4%	85%	The Ratio has declined due to decrease in Gross Margin on account of imposition of Haulage cost by Ministry of Railways during the year.
	(ii) Net Profit/ Net Worth	(%)	46%	32%	The Ratio has declined due to decrease in Net Profit on account of imposition of Haulage cost by Ministry of Railways during the year.
	(iii) Gross Profit/ Capital Employed	(%)	67%	47%	The Ratio has declined due to decrease in Gross Profit on account of imposition of Haulage cost by Ministry of Railways during the year.
(b)	Financial Indicators – Size				
	(i) Gross Margin	Rs In Lakh	5544.47	3541.83	The Gross Margin has declined due to imposition of Haulage cost by Ministry of Railways during the year.
	(ii) Gross Sales	Rs In Lakh	36070.77	41845.59	The sales were increased due to increase in Licensee Catering Income and full year impact of departmental Catering Business and Internet Ticketing Income.
(c)	Financial Returns- Labour Productivity and Total				
	Factor Productivity				
	(i) PBIDT/Total Employment	Rs. In Lakh per person	0.79	0.66	The Ratio was declined due to decrease in PBDIT on account of imposition of Haulage cost by Ministry of Railways during the year.
	(ii) Added Value/ Gross Sales	(%)	13.20%	6.55%	The added value declined due to increase in sales and decrease in Gross Margin due to imposition of Haulage Cost by Ministry of Railways during the year.

**MINUTES OF THE 18th SITTING OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS HELD ON 27th FEBRUARY, 2008.**

The Committee sat from 1700 hours to 1815 hours.

PRESENT

Chairman

Shri Rupchand Pal

Members, Lok Sabha

- | | |
|---|----------------------------|
| 2 | Shri Ramdas Bandu Athawale |
| 3 | Shri Francis K. George |
| 4 | Dr. Vallabhbbhai Kathiria |
| 5 | Ch. Lal Singh |
| 6 | Shri Kashiram Rana |

Members, Rajya Sabha

- | | |
|----|-------------------------|
| 7 | Prof. Ram Deo Bhandary |
| 8 | Shri Mahendra Mohan |
| 9 | Shri Ajay Maroo |
| 10 | Shri K. Chandran Pillai |

Secretariat

- | | | |
|---|------------------|----------------------|
| 1 | Shri S.K. Sharma | Additional Secretary |
| 2 | Shri J.P. Sharma | Joint Secretary |
| 3 | Shri Ajay Kumar | Deputy Secretary-II |

Representatives of IRCTC

- | | | |
|---|--------------------|-----------------------------|
| 1 | Dr. Nalin Shinghal | Managing Director |
| 2 | Shri Vinod Asthana | Director (Catering Service) |
| 3 | Smt. Vijaya Sinha | Group GM (DCS) |
| 4 | Shri M.P. Mall | Group GM (Finance) |

2. The Committee took oral evidence of the representatives of Indian Railways Catering and Tourism Corporation (IRCTC) in connection with its comprehensive examination.

3. At the outset, the Chairman welcomed the representatives of IRCTC and also drew their attention to direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. Thereafter, the representatives of IRCTC made an audio-visual presentation about the various aspects of the Corporation. After the audio-visual presentation, Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were made by the representatives of IRCTC. Information on some of the points raised by the Committee was not readily available with the representatives of IRCTC. It was, however, promised by them that the same would be furnished to the Committee Secretariat in due course.
4. The Chairman then thanked the representatives of IRCTC for providing all the material/information on the subject matter as desired by the Committee.
5. A copy of the verbatim proceedings has been kept on record separately.
6. The witnesses then withdrew.
7. The Committee then adjourned.

**MINUTES OF THE 21st SITTING OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS HELD ON 19th MARCH, 2008**

The Committee sat from 1720 hours to 1800 hours.

PRESENT

Convener

Shri Francis K. George

Members, Lok Sabha

- | | |
|---|--------------------------------|
| 2 | Shri Gurudas Dasgupta |
| 3 | Smt. Sangeeta Kumari Singh Deo |
| 4 | Dr. Vallabhbai Kathiria |
| 5 | Ch. Lal Singh |
| 6 | Shri Kashiram Rana |
| 7 | Shri Ram Kripal Yadav |

Members, Rajya Sabha

- | | |
|---|------------------------|
| 8 | Prof. Ram Deo Bhandary |
|---|------------------------|

Secretariat

- | | | |
|---|------------------|----------------------|
| 1 | Shri S.K. Sharma | Additional Secretary |
| 2 | Shri J.P. Sharma | Joint Secretary |
| 3 | Smt. Anita Jain | Director |
| 4 | Shri N.S. Hooda | Deputy Secretary |
| 5 | Shri Ajay Kumar | Deputy Secretary-II |

Representatives of Ministry of Railways

- | | | |
|---|-------------------|--------------------------------|
| 1 | Shri K.C. Jena | Chairman, Railway Board |
| 2 | Shri V.N. Mathur | Member, Traffic, Railway Board |
| 3 | Shri Ashok Kumar | ED/T&C |
| 4 | Shri Biplav Kumar | Director/T&C |
| 5 | Shri P.C. Verma | DD/T&C |

2. At the outset, under Rule 258(3) of Rules of Procedure and Conduct of Business of Lok Sabha, the Committee in the absence of Chairman, chose a member, Shri Francis K. George, to preside over the meeting.

3. The Committee then took oral evidence of the representatives of Ministry of Railways in connection with the comprehensive examination of Indian Railways Catering and Tourism Development Corporation Limited.

4. At the outset, the Convenor of the Committee welcomed the representatives of Ministry and also drew their attention to direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committee. Thereafter, Members raised queries on various pertinent issues pertaining to the subject. Clarifications on some of those issues were made by the representatives of Ministry. Information on some of the points raised by the Committee was not readily available with the representatives of the Ministry. It was, however, promised by them that the same would be furnished to the Committee Secretariat in due course.

5. The Convenor then thanked the representatives of Ministry for providing information on the subject matter as desired by the Committee.

6. The witnesses then withdrew.

7. The Committee then adjourned.

8. A copy of the verbatim proceedings has been kept on record separately.

MINUTES OF THE 23rd SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 28th APRIL, 2008

The Committee sat from 1600 hours to 1630 hours.

PRESENT

Chairman

Shri Rupchand Pal

Members, Lok Sabha

- | | |
|---|--------------------------------|
| 2 | Shri Ramdas Bandu Athawale |
| 3 | Shri Gurudas Dasgupta |
| 4 | Smt. Sangeeta Kumari Singh Deo |
| 5 | Shri Francis K. George |
| 6 | Shri Shriniwas Patil |
| 7 | Shri Ram Kripal Yadav |

Members, Rajya Sabha

- | | |
|---|---------------------------|
| 8 | Shri Pyarimohan Mohapatra |
| 9 | Shri K. Chandran Pillai |

Secretariat

- | | | |
|---|------------------|----------------------|
| 1 | Shri S.K. Sharma | Additional Secretary |
| 2 | Shri J.P. Sharma | Joint Secretary |
| 3 | Smt. Anita Jain | Director |
| 4 | Shri N. S. Hooda | Deputy Secretary |
| 5 | Shri Ajay Kumar | Deputy Secretary-II |

2. At the outset, the Chairman, Committee on Public Undertakings, delivered the valedictory address and thanked the Members of the Committee and the officials of the Lok Sabha Secretariat for their cooperation and assistance during the term of the committee. The Committee thereafter considered two draft reports on the following subjects and adopted the same without modifications:

- | | | | |
|------|---|------------|---------|
| (ii) | XXXXXXXXXXXX | XXXXXXXXXX | XXXXXXX |
| (ii) | Indian Railways Catering and Tourism Corporation Limited. | | |

3. The Committee authorized the Chairman to finalize these Reports for presentation.

4. The Committee then adjourned.