

**STANDING COMMITTEE ON RAILWAYS  
(2005-06)**

**FOURTEENTH LOK SABHA**

**MINISTRY OF RAILWAYS  
(RAILWAY BOARD)**

**INDIAN RAILWAY CATERING & TOURISM CORPORATION**

**FOURTEENTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

August, 2005/Bhadrapada, 1927 (Saka)

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*Presented to Lok Sabha on 30<sup>th</sup> August, 2005  
Laid in Rajya Sabha on 30<sup>th</sup> August, 2005*



**LOK SABHA SECRETARIAT  
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**COMPOSITION OF THE STANDING COMMITTEE ON RAILWAY (2005-06)****Shri Basudeb Acharia - Chairman****MEMBERS  
LOK SABHA**

2. Shri A.Sai Prathap
3. Shri Dharendra Agarwal
4. Shri Atique Ahamad
5. Shri Ajaya Kumar
6. Shri Subrata Bose
7. Shri Bapu Hari Chaure
8. Shri Kishan Lal Diler
9. Shri Giridhar Gamang
10. Shri Pradeep Gandhi
11. Smt. Paramjit Kaur Gulshan
12. Shri Anwar Hussain
13. Shri Mahesh Kanodia
14. Shri C. Kuppusami
15. Smt. Kalpana R. Narhire
16. Shri Rajendrasinh Rana
17. Shri Kishan Singh Sangwan
18. Shri Iqbal Ahmed Saradgi
19. Dr. Arun Kumar Sarma
20. Ch. Lal Singh
21. Mohd. Tahir

**RAJYA SABHA**

22. Smt. Kamla Manhar
23. Shri Karnendu Bhatttcharjee
24. Maulana Obaidullah Khan Azmi
25. Shri Lalit Kishore Chaturvedi
26. Shri Su. Thirunavukkarasar
27. Shri Tarini Kanta Roy
28. Shri R. Kamraj
29. Shri Isam Singh
30. Shri Harendra Singh Malik
31. Shri Abani Roy

**LOK SABHA SECRETARIAT**

- |    |                           |   |                         |
|----|---------------------------|---|-------------------------|
| 1. | Shri John Joseph          | - | Secretary               |
| 2. | Dr.(Smt.) P.K. Sandhu     | - | Additional Secretary    |
| 3. | Shri V.S. Negi            | - | Deputy Secretary        |
| 4. | Smt Abha Singh Yaduvanshi | - | Under Secretary         |
| 5. | Shri P.K. Sharma          | - | Sr. Executive Assistant |

## INTRODUCTION

I, the Chairman of the Standing Committee on Railways (2005-06), having been authorised by the Committee to present the Report on their behalf, do present this Fourteenth Report of the Committee on 'Indian Railway Catering & Tourism Corporation' (IRCTC).

2. The Committee took evidence of the representatives of the Indian Railway Catering & Tourism Corporation on 26<sup>th</sup> May, 2005 and Ministry of Railways on 27<sup>th</sup> June, 2005.

3. The Committee considered and adopted the Report at their sitting held on 29<sup>th</sup> August, 2005. Minutes of the sittings held on 26<sup>th</sup> May, 27<sup>th</sup> June and 29<sup>th</sup> August, 2005 form Part-II of the Report.

4. The Committee wish to express their thanks to the officers of the Ministry of Railways (Railway Board) and representatives of the Indian Railway Catering & Tourism Corporation for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the subject 'Indian Railway Catering & Tourism Corporation' and sharing with them the issues concerning the subject which came up for discussion during evidence.

NEW DELHI;  
29 August, 2005  
07 Bhadrapada, 1927 Saka

**BASUDEB ACHARIA**  
**Chairman,**  
**Standing Committee on Railways**

## CHAPTER - I

### Report

#### INTRODUCTION

The Indian Railways which is one of the largest Railway systems in the World carries 14 million passenger daily through 14,444 trains covering 8055 stations. With this magnitude and complexity involved in operations, it was deemed essential that a separate corporation be set up which would exclusively manage catering and tourism related functions of Indian railways.

1.2. Initially all catering services were privatized. Later in fifties and sixties departmental catering were put into place, which experiment continued for about 30 years or so. Ultimately, Railway decided that it is not a viable venture and so they thought of forming a corporation which will take over the departmental catering and also control the franchisee catering. The Union Cabinet on 27<sup>th</sup> March, 1999 approved that the catering activity of Railways, whether Departmental or franchised, should be completely hived off to the new corporation along with the staff, and the railways, should divest itself of this function. In pursuance to this and as part of Indian Railway's wider organizational reform and to strengthen its marketing and service capabilities in areas of Rail catering, tourism and passenger amenities a corporate entity Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) was set up under the Companies Act, 1956 on 27<sup>th</sup> September, 1999 as a public sector company under the administrative control of Ministry of Railways.

1.3. IRCTC became fully functional from 1<sup>st</sup> August, 2001 after setting up the functional Board. The company in addition to its corporate office at New Delhi has its regional offices at New Delhi, Kolkata, Mumbai, Chennai and Secunderabad with one sub-regional office at Gorakhpur. As an October, 2004 the corporation had 1643 employees. The details of the regular as well as commission vendors are as under:

(i) Staff working on regular basis in IRCTC (including deputationists + IRCTC appointed staff	74
(ii) Catering staff taken over by IRCTC from Railways	1128
(iii) Commission vendors working under IRCTC	441
Total	1643

1.4 The main objectives of the Company is as under:-

- To professionalise, consolidate and upgrade railway-catering services through public-private partnership.
- Promote rail based tourism and hospitality business.
- To act as a Special Purpose Vehicle and enhance the value of railway assets, including land and rolling stock.
- To act as the access provider to Railway's Passenger Reservation System and promote multiple channels of distribution using State of the Art technology including Internet.
- To provide quality packaged drinking water "Rail Neer" to rail users.
- To develop and upgrade the human resource skills by imparting training at all levels.
- To treat each business activity as a separate profit center.

1.5. The mission/vision of IRCTC is to act as an extended arm of the Indian Railways to upgrade, professionalise and manage catering and hospitality services at stations, on trains and other locations; to promote domestic and international tourism, through establishment and development of Budget Hotels, information and commercial publicity and global reservation system, Rail Ticketing and provide quality packaged drinking water 'Rail Neer' to rail users.

### **Capital Structure**

1.6. The company has an authorised capital of Rs.50 crore and paid up capital of Rs.20 crore with 100% equity holding by the Central Government.

### **FINANCIAL PERFORMANCE**

1.7. The financial performance of IRCTC during the last 4 years is as under:-

Year	(Rs. in Crore)			
	2001-02 (Aug-March) 8 Months	2002-03 Audited	2003-04 Audited	2004-05 Provisional
<b>Total Turnover</b>	<b>8.22</b>	<b>52.72</b>	<b>69.59</b>	<b>125.00</b>
<b>Profit after Tax</b>	<b>0.83</b>	<b>5.55</b>	<b>4.12</b>	<b>6.12</b>
<b>Dividend paid</b>	<b>0.20</b>	<b>1.20</b>	<b>1.00</b>	<b>1.00</b>

1.8. In response to the query of the Committee as to what was the reason and rationale in going for privatisation and corporatisation of catering in 1991-92, especially in view of the fact that one man Committee appointed in 1979-80 had not recommended for it, the Ministry of Railways in their written reply stated that during 1991-92 the Govt. of India announced changes in economic policies and political thinking. The Govt. of India pursued the policies of privatisation and liberalisation as part of second generation of economic reforms in various sectors. Divestment and privatisation of non-core activity was announced as part of economic liberalisation. Catering was, therefore, viewed as a non-core activity for the Railways an essential passenger amenity. In view of this corporatisation of catering activity was decided. In 1991-92, the Ministry of Railways felt that departmental catering was running into losses and accordingly the 1991-92 catering policy envisaged that no new catering activity should be undertaken departmentally.

1.9. Recruitment to departmental catering was also restricted and it was a conscious decision that over a period of time the departmental catering will reduce by attrition and there will be no proliferation or expansion of departmental catering activity.

1.10. It was also felt that substantial revenues will be generated through increased license fees from privatisation and these revenues could be then redeployed to supplement railways other essential programmes of expansion of passenger services, new trains etc.

1.11. Altogether catering facilities numbering approximately 11000 units are provided at approximately 3150 stations over Indian Railway. These are being run and managed departmentally and by licensee caterers.

112. Catering Services as on date on Indian Railways is as under:-

**(a) Major Units:**

	<b>Licensee</b>	<b>Departmental</b>
<b>Pantry Car</b>	<b>213</b>	<b>39</b>
<b>Refreshment Room</b>	<b>85</b>	<b>33</b>
<b>Food Plazas</b>	<b>32</b>	<b>-</b>

**(b) Minor Units:**

	<b>Licensee</b>	<b>Departmental</b>
<b>Stalls/Trolleys</b>	<b>8741</b>	<b>2100</b>
<b>Refreshment Room</b>	<b>179</b>	<b>61</b>



## CHAPTER – II

### CATERING

2.1. Catering on Indian Railways is of utmost importance and recognising this as one of the most important of all passenger amenities Indian Railways have given much importance to it.

Catering/vending services on Indian Railways consists of following facilities:-

- (i) Refreshment rooms, restaurants, fast food centres/snack bars, tea stalls, fruit/fruit juices stalls, cold and hot beverage dispensers, miscellaneous curio goods stalls, ice-cream parlour etc. at railway stations.
- (ii) Tea stalls at roadside stations.
- (iii) Integrated on-board catering services on Rajdhani and Shatabdi Express trains.
- (iv) Services through pantry cars on selected long and medium distance superfast/mail and express trains.
- (v) Base kitchens to provide ready made meals for on-board catering.
- (vi) On board catering/vending services through static units (trains having no pantry cars).

2.2 The history of catering on Indian Railways has on the whole been chequered marked by irregular and frequent changes in principles and policy governing it. Right from the inception, catering services on Indian Railways have been managed by private parties. In 1915, ex-Bengal-Nagpur Railway (South Eastern Railway) introduced western style catering by departmentally managed units. On Southern Railway, departmental catering came up in 1920.

2.3. In 1954, Government set up **Alagesan Committee** to review all aspects of catering. The Committee recommended that Railways with no departmental catering should start with an experiment with an economic departmental catering organisation so as to set the standard and service as model. Consequent to this, other railways introduced departmental catering.

2.4. In 1967, Ministry of Railways appointed a Committee named “Railway Catering and Passenger Amenities Committee” under the **Chairmanship of then Minister of State for Railways**, the Committee made the following recommendation:

- (i) Railways should consolidate their existing catering service and effect an improvement in their quality and services. Further, extension of departmental catering may be contemplated after economy measures have become effective.
- (ii) The present principle of running departmental catering on a 'no profit no loss' basis should be modified so as to provide a small profit of three to four per cent which should be ploughed back into the service.

2.5. In 1979-80 then **Minister of Railways** in his Budget Speech made the following announcement :

“Formation of a Railway Catering Corporation as an autonomous body under the administrative control of the Ministry of Railways, to take over the entire catering services on the Indian Railways, has been suggested by several Members of Parliament and others. This will be examined in depth”.

2.6. Consequent to this announcement, a one-man Expert Committee on Railways Catering was set up which observed as under:-

- (i) Ineffective and inadequate supervision.
- (ii) Heavier losses in refreshment rooms due to heavy overheads and lesser customers.
- (iii) Losses in the running of mobile units due to heavy overhead charges.
- (iv) Even though the profits accrue in vending establishments and partly off-set the losses incurred in the sale of thali meals, the quantum of profits as shown in the books is much less than what should actually accrue, due to leakage in sales arising out of commission vendors selling their own stuff and not drawing adequate quantity of raw materials as warranted by the sales potential, and due to unauthorised vending by outsiders.
- (v) The margin of profit had been eroded by increase in staff costs and in the costs of raw materials without any corresponding increase in tariff. The periodical review of the tariff, commensurate with the increase in cost of the raw materials and staff costs, had not been undertaken except on an ad-hoc basis as a sporadic exercise, due to no institutionalised arrangements existing either at the level of the Board or the Zonal Railways.

2.7. At that stage the Committee recommended that time is not right to have a separate Catering Corporation. However, this should be looked at a later date.

2.8. The Minister of Railways during his Budget Speech of 1991-92 had announced privatisation of catering services on the Railways. Consequent to this announcement, a meeting of Chief Commercial Superintendents (CCMs) was held in Railway Board's Office on 14.10.1991. Following decision were taken –

- (i) In future no catering/vending units should be taken up for departmental management and all new units both static and mobile should be managed by licensees only.
- (ii) Although existing departmental units could be privatised keeping in view the various problems involved, mostly the staff problem, the privatisation has to be undertaken in phases.

2.9. It was in the year 1999 that Railways finally decided to hive off catering of the Indian Railways to a Corporation and Note for Cabinet was put up before the Cabinet Committee to this effect.

2.10. The **Catering Policy** issued by the Ministry of Railways in the year 2000 reiterated that in future no catering/vending units should be taken up for departmental management and licensees should manage the services. Facilities vacated due to absorption of commissioned vendors and commissioned bearers should be consolidated with a view to standardise the catering/vending facilities.

2.11. The **Catering Policy 2004** issued on 5<sup>th</sup> October, 2004 stipulated the following:

- (i) Two packet open tendering system on competitive bidding basis for all major catering units and small catering units at 'A', 'B' and 'C' category stations against two packet tendering system in case of major units only earlier.
- (ii) All new licences of major units and small units at 'A', 'B' and 'C' category stations to be awarded by IRCTC.
- (iii) Licences at 'D', 'E' and 'F' category stations to be awarded by Railways presently.

- (iv) A ceiling of 15% within a category of major units and overall ceiling of 10% in overall major units in holding by a particular licensee imposed in New Policy. No ceiling in old policy.
- (v) Tenure of all major units and all catering units at 'D', 'E' and 'F' category stations will be 5 years and there will be no renewal after expiry against renewal of 5 years in earlier policy.
- (vi) Reservation of 49.5% for SC, ST, OBC, physically/mentally handicapped, women etc. only at 'D', 'E' and 'F' category stations. Earlier policy provided 25% reservation in small units at all category stations.

### **Catering Policy 2005:**

2.12. The Railway Board reviewed the catering policy of 2004 in view of some amendments required in consideration of genuine demands and subsequent announcements made by the Minister of Railways in order to fulfill the social obligation of the Govt. of India. This new catering policy supersedes all the existing policy guidelines issued from time to time. The new policy stipulates the following:-

- (i) Two packet open tendering system on competitive bidding basis for all major catering units and small catering units at 'A', 'B' and 'C' category stations.
- (ii) All new licences of major units and small units at 'A', 'B' and 'C' category stations to be awarded by IRCTC.
- (iii) Licences at 'D', 'E' and 'F' category stations would be awarded by calling applications through press notification.
- (iv) A ceiling of 15% within the category of major units and overall ceiling of 10% in overall major units in holding by a particular licensee continued in New Policy.
- (v) Tenure of all major units will be 5 years and there will be no renewal after expiry.
- (vi) Tenure of all catering units at 'D', 'E' and 'F' category stations will be 5 years and there will be renewal after every 5 years on satisfactory performance.

- (vii) Tenure of all small units at ‘A’, ‘B’ and ‘C’ category stations will be 3 years and there would be no renewal after expiry of 3 years for general category. In case of reserve categories, renewal will be given after 3 years on satisfactory performance.
- (viii) Reservation of 49.5% at ‘D’, ‘E’ and ‘F’ category stations and 25% at ‘A’, ‘B’ and ‘C’ category stations for SC, ST, OBC, physically/mentally handicapped, women etc. Reservation for freedom fighters introduced at all categories of stations in licences of small catering units.
- (ix) No reservation in major units licences.
- (x) Award of contracts to reserved category through calling applications, not through tender system.
- (xi) 10% reservation will be for women including war widows and widows of railway employees and 2% reservation for physically and mentally handicapped within 50.5% of general category and 49.5% of reserved categories.

2.13. During the evidence when asked by the Committee as to what was the real objectives behind setting up catering facilities on Indian Railways, the representatives of the Ministry of Railways (Railway Board) stated :-

“the objective has always been to provide cheap and wholesome food to the passengers. That is the reason why we have started the practice of running catering services on no profit no loss basis.”

2.14. The minimum licence fee for different type of services in the New Catering Policy has been kept as under:

<b>Rajdhani/Shatabdi Express trains</b>	15%* of annual sales turnover based on actual occupancy figures certified by the Train Superintendent
<b>Other Mail/express trains</b>	12%* of estimated annual sales turnover.
<b>All other static units</b>	12%* of estimated annual sales turnover

\* Or any other percentage commission on sales as notified from time to time.

2.15. From the above it can be seen that minimum licence fee for various catering facilities ranges between 12 to 15% which in itself is reasonably high.

## **LICENCING POLICY**

2.16. Under the new catering policy allotment of catering/vending licence will be done under separate rules for major and small catering/vending units.

For the purpose of award of catering licence major catering units are defined as under:

- (i) All mobile catering units including Rajdhani/Shatabdi Express and other mail and express trains,
- (ii) Restaurants/refreshment rooms, at all Category 'A' stations excluding attached facilities like stall/trolleys, if any existing at present.
- (iii) Multi outlet food plazas or food courts, or
- (iv) Single outlet fast food centres.

Small catering units has been define as :-

- (i) Restaurants/refreshment rooms at all 'B; & 'C' Category stations and trolleys and stalls at all 'A', 'B' and 'C' category stations.
- (ii) Catering units at all 'D', 'E' and 'F' category stations.

## **TENDERING SYSTEM**

### **Major Units**

2.17. Catering licences of major catering units are awarded through open tender under a Two Packet System. Packet 'A' contains technical offer and Packet 'B' contain the financial bid. Each catering unit is treated as separate unit and will have a separate licence, stalls/trolleys which would be allotted separately and will not be attached with Refreshment Rooms/stalls etc. Award of licence in case of major units is done by IRCTC and co-ordinated at the level of CCM of the concerned Zonal Railway.

### **Small Units**

2.18. Award of licence for small catering units has been divided into two classes. For catering units comprising of Refreshment Room/Restaurant at all 'B' and 'C' category stations and trolleys and stalls at 'A', 'B' and 'C' category stations license will be awarded through open tender under Two Packet System. Conversely for small units at 'D', 'E' and 'F' category stations licence will be awarded through calling of applications from reputed parties and not through open competition bidding.

2.19. The representatives of the Ministry of Railways while elaborating on policy of two packet system stated that the policy is to enhance the revenue of the Government which was earlier going to the contractor. Further corroborating it through an example he stated that as per the earlier system in the Howrah-Mumbai Sector the amount being paid to the Railways by the private contractor was Rs.5 lakh. Now, in the two packet system the same contractor is now paying to the Railways Rs.36 lakh.

2.20. The Committee express their concern that with such a huge increase in payout by the contractor, the contractor will try to recover this by either reducing the salary or curtailing the other fringe benefits of workers etc. The representatives of the Ministry of Railways on this assured

‘they have to pay the minimum wage, we are taking care of that’.

2.21 Regarding the criteria adopted in selecting a particular private operator/licencee Ministry of Railways stated that IRCTC has formulated policy guidelines clearly listing out technical and financial capability for empanelment of food and beverage organizations who are then considered eligible for bidding for all licenses on the following criteria:-

The applicant should have a minimum annual turnover in catering/hospitality and F&B services related business and eligibility criterion for different types of units are as under:-

Rs.5 crore per annum	Mobile catering on Rajdhani/ Shatabdi Express trains.
Rs.3 crore per annum	Mobile Catering on other mail/express trains
Rs.1 crore per annum	Restaurants/refreshment rooms at Category “A” stations
Rs.1 crore per annum	Single outlet fast food centres at Mumbai Central, Mumbai CST, Churchgate, Dadar, Delhi, New Delhi, Hazrat Nizamuddin, Chennai Central, Howrah, Sealdah and Bangalore City.
Rs.50 lakhs per annum	Single outlet fast food centers at other Category ‘A’ and Category ‘C’ stations..
Rs.25 lakhs per annum	Single outlet fast food centres at Category ‘B’ stations
Rs.10 lakhs per annum	Single outlet fast food centres at other stations
Rs.5 crore per annum	Multi outlet food plazas of food courts at Mumbai Central, Mumbai CST, Churchgate, Dadar, Delhi, New Delhi, Hazrat Nizamuddin, Chennai Central, Howrah, Sealdah and Bangalore City.
Rs.3 crore per annum	Multi outlet food plazas or food courts at other Category ‘A’ and Category ‘C’ stations.
Rs.1 crore per annum	Multi outlet food plazas or food courts at Category ‘B’ stations.
Rs.50 lakhs per annum	Multi outlet food plazas or food courts at other stations

Further to encourage genuine parties to bid for licences, earnest money to be enclosed along with tender document would be as follows:-

Rs.3 lakh	All mobile catering licenses and multi outlet food plazas/courts.
Rs.1 lakh	Refreshment rooms/restaurants/single outlet fast food centres.

2.22. However, IRCTC's policy clearly enables the existing licensee managing services on the railways to also bid for that particular services being operated by the licensee even if he does not fulfill the eligibility criteria set up by IRCTC. This has been done as a measure of social justice.

2.23. A business group/firm/company or individual can hold a maximum of 15% units of each type of major catering units with overall ceiling of 10% of total major units.

2.24. The term and conditions imposed on the private operators at the time of awarding contracts can be classified into following heads which are duly entered in the agreement.”

2.25. **GENERAL TERMS AND CONDITIONS OF THE LICENCE** – advising the items and tariff of each items that should be permitted to be sold in the unit.

#### **FINANCIAL TERMS AND CONDITIONS-**

- Payment of annual Licence fee – a fixed percentage over assessed annual sales turnover – 12% for all static and mobile units other than Rajdhani Shatabdi Express trains and 15% for Rajdhani/Shatabdi Express trains or any other percentage commission on sales as notified from time to time.
- Payment of Concession Fee:
- Refund of Concession Fee: Conditions for refund of proportionate concession fee in the event of train cancelled within a period of five years. No concession fees will be refunded if the train is cancelled after the expiry of first term.

Apart from the above terms and conditions the detailed conditional agreements are entered into with the licensees. This agreement covers the operational details, inspections, termination, arbitration, renewal etc.

#### **RESERVATION**

2.26. By way of positive discrimination and affirmative action, provision for reservation in favour of certain sections of society has been made in the catering policy-2005.



2.27. In the refreshment room/restaurants rooms at 'B' and 'C' category stations and trolleys and stalls at all 'A', 'B' and 'C' category stations, 25% reservation has been provided. The break-up among the different categories of beneficiaries is as follows:-

Scheduled Caste	6%
Scheduled Tribes	4%
People below Poverty Line	3%
Freedom Fighters/women including war widows and widows of railway employees	4%
Other Backward Classes	3%
Minorities *	3%
Physically/Mentally Challenged Persons	2%

\* the term minorities will include the communities namely Muslims, Christians, Sikhs, Buddhists and Zoroastrians (Parsis)

2.28. For allotments of small catering units at 'D', 'E' and 'F' category of stations, 49.5% reservation is provided based on application. The following pattern of reservation has been made applicable for distribution among sub-categories.

Schedule Castes	12%	In each category 10% reservation will be for freedom fighters and women including war widows and widows of Railway employees and 2% reservation will be for physically and mentally challenged persons.
Schedule Tribes	8%	
Other Backward Classes	20%	
Minorities*	9.5%	
<b>Total</b>	49.5%	

\* the term minorities will include the communities namely Muslims, Christians, Sikhs, Buddhists and Zoroastrians (Parsis)

2.29. Award of license in case of all major catering/vending units will be made only on the basis of professional criteria through open competitive bidding as laid down for this purpose and there will be no reservation for any category.

2.30. It can be clearly seen that a distinction has been made between major and small catering units, while no reservation has been provided in respect of major units, even in the smaller catering units, the quantum of reservation for small catering units at 'A', 'B' and 'C' category of stations and catering units at 'D', 'E' and 'F' category stations is different.

2.31. Responding to a query of the Committee as to why no reservation has been provided in major units, the representative of the Ministry of Railways replied that

“In major units that is food plazas, pantry cars, refreshment rooms there is no reservation.”

2.32. When asked for the reason and rationale behind this differentiation between the ‘A’, ‘B’ and ‘C’ category stations and ‘D’, ‘E’ and ‘F’ categories of stations in the matter of reservation which was contrary to the general policy of the Government, the representatives explained that

“Earlier reservation was not there for ‘A’, ‘B’ and ‘C’ category stations. Now, 25 per cent reservation has been provided for ‘A’, ‘B’ and ‘C’ category stations, and 49.5 per cent reservation has been provided for ‘D’, ‘E’ and ‘F’ category stations. ‘A’, ‘B’ and ‘C’ category stations are bigger stations and where more financial inputs are required, whereas ‘D’ ‘E’ and ‘F’ category stations are small stations which do not require heavy investment of capital.”

2.33. He further added-

“In major units, that is food plazas, pantry cars there is no reservation. In refreshment rooms there is no reservation in the case of major units. There are about 10,000 catering establishments in the country. Out of these, about 500 only are the major units which do not qualify for the reservation. The balance 9,730 and odd units qualify for the reservation.”

### **TENURE**

2.34. In the New Catering Policy of 2005, the tenure of licence for major units are different and there is also differentiation between licence granted to general category and reserved category:-

- (i) The tenure of license for major units is 5 years.
- (ii) The monitoring of performance of the licensee to be strengthened during the period.
- (iii) There is no renewal or extension after expiry of the contract and fresh tenders should be called and finalised well before the expiry of the existing contract. The current contract of existing licences which have already been given extension from time to time is not be extended further. It was further decided that all such contracts whose term are expiring/expired would be transferred to IRCTC on completion of the present term.

- (iv) At the time of fresh bid for the unit, license fee should be enhanced based on actual sales turnover of the unit subject to a minimum of 10% increase in the prevailing license fee of the unit.

2.35. The tenure of the licence for reserved categories are for three years and licence of these categories will be renewed every 3 years on satisfactory performance. At the time of renewal of the licence of reserved categories at 'A', 'B' and 'C' category stations or fresh bid for the unit, licence fee will be enhanced based on actual sales turnover of the unit subject to a minimum of 10% increase over the prevailing license fee of the unit. Renewal will be done for the existing licencees only on withdrawal of the court cases by the licensees, if any, against the railway and payment of all railway dues and arrears.

2.36. The tenure of licences of all small catering units at 'D', 'E' and 'F' category stations are for five years. Railways may renew the licences after every 5 years subject to satisfactory performance. Renewal will be done for the existing licencees only on withdrawal of the court cases by the licensees against the railways and payment of all dues and arrears. Monitoring of performance will be done which will include prompt payment of all railway dues, complaints of serious nature against licensees regarding quality of food and services, reasonable increase in sales turnover during the period of licence and inspection reports of senior railway officers during the term of licence.

2.37. Explaining about the need for non-renewal of contracts in case of major units and the revision of the tenure of the licenses for small units only for three years the Ministry of Railways stated that all the Railway catering contracts have been in perpetuity from the past and have been continuing at very low licence fee. Basic idea of tendering them is to determine the market value of these contract so as to realize higher revenues and re-deploy the money for improvement in catering. The period of 3 years has been decided as investment involved is on the lower side. Further, contractors providing good services are encouraged to perform better. Bad performers are liable to be discouraged in new contracts and action is taken against them for poor performance.

2.38. When asked about the fate of licencees whose licences have not been reviewed, the Ministry stated that licences are awarded for a fixed terms, beyond which Railway has no liability as a matter of policy. Further, creation of additional facilities creates more jobs. IRCTC so far has created over 5000 jobs in the private catering sector. Replacement of a licencee by another licencee does not result in job loss.

### **DEPARTMENTAL UNITS**

2.39. Departmental units are those catering/vending establishment, which are set up and run by the Indian Railways. In 1915, ex-Bengal-Nagpur Railway (South Eastern Railway) introduced western style catering by departmentally managed units. In 1954, at the instance of Alagesan Committee departmental catering was started on the entire Railway so as to set the standard and service as model. However, after evolution of catering in Indian Railway over the years the Catering Policy 2005, clearly states that:

- (i) In future no catering/vending units should be taken up for departmental management and only catering licences will be awarded in future. Facilities vacated due to absorption of commissioned vendors and commissioned bearers should be consolidated with a view to standardize the catering/vending facilities.
- (ii) IRCTC/Railway should review from time to time, the performance of departmental units. All loss making units should be taken for licensing with the approval of the General Manager. Staff should be relocated to other units within the railway, Railway Board may be kept informed in this regard.
- (iii) Railways will not make any fresh recruitment in Catering department except in the categories specified by Board.

2.40. In a comparative study between the departmental catering and private catering, sample data of profit/loss of these units when managed by department and earnings of these units when managed by private operators are tabulated in juxtaposition below:-

S.No.	Train	Departmental	IRCTC	
		Profit/Loss to Dept. (p.a.)	Licence fee from Licencee (p.a.)	Concession fee from Licencee (One time)
1.	2627/2628 (Karnataka Express)	16.93	34.50	439.00
2.	2925/2926 (Paschim Express)	9.41	32.50	282.00
3.	2903/2904 (Golden Temple Express)	10.72	18.00	137.00
4.	2553/2554 (Vaishali Express)	3.76	19.00	90.90
5.	8237/8238 (Chhattisgarh Express)	(-)4.52	20.50	121.00
6.	8477/8478 (Kalinga Utkal Express)	15.52	18.50	114.70
7.	8011/8012 (Ispat Express)	(-) 2.25	8.00	10.00

(Rs. in lakhs)

2.41. It is seen from the comparative study that Railways were not able to tap the full potential of the market for catering services over Indian Railways. Departmental Catering services have not been the core activity of Indian Railways. According to the Railways, catering services have improved over the years with the services of professionally reputed private caterers.

2.42. In regard to decision to privatise departmental units the representatives of the Ministry of Railways submitted that :

“we have been running departmental units all through on the principle of no profit no loss, therefore the costs have been kept low with the increase in input costs, increase in staff costs, day to day catering services has not been profitable venture right from the beginning.”

2.43. The representatives of the Ministry of Railways informed that as of now the IRCTC has taken over departmental catering of 15 divisions namely Delhi, Mumbai CST, Solapur, Mumbai Centtal, Hawrah, Hyderabad, Vijayawada, Pune, Guntakal, Guntur, Lucknow, Secunderabad, Chennai, Nanded and Sealdah including their staff. They further informed that the plan is to take over completely the entire departmental catering and franchising catering by March, 2006. They also informed that they are planning to bring in experts, related to health and hygiene so as to improve these facilities. IRCTC is giving a chance for professional expertise by clearly stating the major units that the licencees must have personnel holding professional qualifications.

2.44. Responding to a query about auction of departmental catering units, the representatives of the IRCTC categorically denied and stated:-

“departmental catering remain as it is untouched, not a single unit has been auctioned.”

2.45. In a related question when the Committee asked about the improvement in the performance within the last one year, the representatives of IRCTC emphatically claimed:-

“average sales at the stations that we have catered (7 metropolis), revenues have gone up by 30 per cent.”

2.46. Further he also informed:

“we have made a very massive plan of modernisation of these units that we have taken over, we are making modular stalls, renovating kitchens and improving the standards.”

2.47. As per Ministry of Railway mandate of IRCTC is to expand and upgrade the catering services on the Indian Railway which in turn will generate additional employment potential. The establishment of additional food plazas by IRCTC has created additional direct job opportunities based on an average criteria of around 50 persons for a food plaza. In addition, new pantry services added by IRCTC has resulted in substantial creation of additional jobs.

2.48. The Committee in its concern for the welfare of employees wanted to know about the repercussion and likely effect of the new policy on the existing 2500 odd employees of the departmental units. They specifically wanted categorical assurance from the Ministry of Railways that their service conditions should not be adversely affected, and in no circumstance they should be retrenched.

2.49. Upon this allaying the apprehension of the Committee, the Chairman, IRCTC stated:

“when the catering unit is taken over by IRCTC, the entire staff comes to the IRCTC, they get an option to opt for railways or to continue in IRCTC. This option is open upto three years, within that period if they want to continue in IRCTC they are welcome to continue and they become the employees of IRCTC; If they opt to go back to railways, they will be taken by the railways and suitably re-deployed in the Railways. So, the staff have been taken care of. There is no question of retrenchment of railway staff.”

2.50. About the working conditions of such employees the representatives of IRCTC made it clear to the Committee:-

“when Railways handed over catering staff to us, before that there was decision between the Boards and the Union that their service conditions will remain the same. Railways will continue to provide them housing, medical facilities, passes, pension and gratuity benefits. No privileges or perks of theirs will be curtailed. IRCTC has been asked to pay for all these facilities till they remain with them and conditions applicable to serving Govt. employees remain applicable to them. There is absolutely no change..... Their service conditions will be protected.”

### **UNAUTHORISED VENDING**

2.51. Unauthorised hawking is punishable under Section 144 of the Railways Act, 1989. Unauthorised vending is liable to be misused, thereby endangering the health and very life of the Railway users. Enumerating the steps taken to prevent unauthorized vending IRCTC in their written reply stated that routine and frequent checks by Zonal Railways and Divisional Officials are conducted for checking this malaise. Unauthorised vendors on trains and at stations are prosecuted under the provisions of the Railways Act and Railways (Second Amendment) Act, 2003. The number of unauthorized vendors prosecuted during 2001, 2002 and 2003 was 61609, 71406 and 75354 respectively.

2.52. Further, when the Committee suggested that some sort of mechanism should be evolved whereby these small vendors could be given license and permits to sell the food articles, a list of food articles could also be given, with proper batch and uniform as this would not only serve the need of the passengers but also add to the revenue of the Railways by way of license fee, the representatives of the Ministry of Railways expressed their inability and stated :

“giving them license will be a problem, because, we do not know at the moment who are working unauthorisedly. Today we may say it is 100 but when we start giving them license, 1000 persons may land up, we will not be able to distinguish who is right and who is wrong.....”

2.53. He further stated:

“there will be no machinery for us to check the quality of the things that they are providing and also the rate they are charging. All these problems will come up and it will create more problems than solving it.”

2.54. The Ministry of Railways stated that in train side vending, commission vending along with direct sale by departmental staff is prevalent. Such system is being transferred to IRCTC on as is where is basis. Train side vending through licensee is done on contractual basis.

## **JOB SECURITY OF WORKERS**

2.55. Near about 87 to 90% of Railway catering is in the hand of private licensee caterers, this coupled with the limited period of tenure of contract may leads to throwing thousands of workers engaged in mobile catering out of job with every change of contractor. Even in case of those workers who are working for more than 10 to 15 years no provident fund is deducted.

2.56. To the suggestion of the Committee that to secure the livelihood of workers a separate clause could be incorporated in the agreement itself providing for continuance of the service of workers in the event of change of contractor, the representatives of Ministry of Railways replied:

“legally, it is not tenable to provide this sort of clause in the agreement. The legal adviser did not agree with that, they said that it would not stand in the court of law.”

2.57. He further stated:

“our experience is that by and large all of the workers barring a few are taken over by the new contractors because of their experience.”

2.58. Concerning monitoring the deployment of new hands at low salaries far below minimum wages by the new contractor, the representatives of Ministry of Railways stated:-

“ in bigger units this is not a problem, they adjust them some where or other, may be in small stalls this problem will come. We have also started pro-active action, for example when the Vijayawada case came all commission vendors got regularised but their helpers had a problem, we set up automatic vending machines and the oldest 34 commission vendors have been given jobs by us there. They further assured that we ourselves from the corporations are finding ways and means to bring as many as possible back to employment.”

## **PANTRY SERVICES**

2.59. Pantry cars occupy an important place in the catering system of the Railways by serving the on board passengers of long distance trains.



2.60. As of now, only 252 trains have attached pantry cars, of these 151 pantry cars are managed by IRCTC and the rest 101 are managed by Zonal Railways which will be transferred to IRCTC by the end of December, 2005.

2.61. In the new catering policy following provisions regarding pantry cars have been laid down. Provision of pantry cars on different trains continue to be determined centrally by the Railway Board. Railways observe the following guidelines with regard to pantry cars.

- (i) Pantry cars for Rajdhani Express Trains are to be designed to ensure that pre-cooked and hygienically packed food is supplied from base kitchens with minimum handling in transferring the same to the passengers. Mini pantries with modern gadgets/equipment as specified for Rajdhani Express Trains coaches are to be provided. IRCTC to use covered mobile vans, containers and trolleys of standard design for transferring meals from base kitchens to the trains. However, in first AC class railways to provide personalised service and the food is to be cooked in the pantry cars. Services be provided through trolleys in all coaches.
- (ii) All Shatabdi Express trains to have mini pantries equipped with modern gadgets such as hot cases, water boiler, bottle cooler etc. in all coaches. There has to be no cooking and washing on board. Food should be served in pre-set trays, and service in all the coaches should be through trolleys. IRCTC to use covered mobile vans, container and trolleys of standard design for transferring meals from base kitchens to the trains.
- (iii) Railways to provide pantry cars on long distance trains which have to be identified centrally at Railway Board level from time to time.
- (iv) Train side vending – As it is not feasible to provide pantry cars on all trains, IRCTC to arrange on board catering/vending services (train side vending).
- (v) Pantry car of a particular train has to be considered as one unit, irrespective of the frequency viz. whether weekly/bi-weekly, etc./or a daily train service. Pantry car license of a particular train to be awarded to one licensee only and not be split among different licensees for different days.

2.62. In regard to compulsory provision of pantry cars in every long distance train which runs for more than 15 hours, the representatives of the Ministry of Railways explained that as far as the policy of pantry car is concerned, the journey time should be more than 24 hours each way; there should be at least 10 sleeper coaches in the formation of train; and at least 200 meals

comprising of lunch and dinner for super fast trains and 150 for express trains are expected to be served. Then, the number of stoppages should be less so that passengers are not able to avail the platform vending. The airbrake rakes and vestibule rakes are given preference because it is easier to service in vestibule rakes. Then, there should be non-availability of satisfactory services en-route. These are the various criteria on which norms of pantry car are there.

2.63. On being specifically pointed out that there are some long distance trains without attached pantry car concurring with this, the representatives of the Ministry of Railways stated:-

“This year we have increased the production programme of pantry cars. This year we have planned 45 pantry cars earlier it used to range around 20 pantry cars only. As and when they start coming, we will put them on these 58 trains. We will try to cover as many trains as possible out of these 58 trains.”

### **MENU**

2.64. The Committee in its concern for the quality and quantity of food on the Indian Railways wanted to know about the standard of Menu. The Ministry of Railways stated in their replies that Menu of Rajdhani/Shatabdi trains are reviewed at periodical intervals which is equally applicable on all zonal railways, duly considering the passengers’ suggestions/opinion to bring in improvement in the catering services. Zonal railways have instructions to ensure 6 days – alternate menu to the passengers of Rajdhani/Shatabdi under their administrative control on the basis of the menu suggested by the Railway Board. The menu of Rajdhani/Shatabdi trains were last reviewed in 1999. A Committee has been constituted to review the existing catering charges and menu and the matter is under examination.

### **QUALITY CONTROL AND INSPECTION**

2.65. Quality control is of utmost important, not just because of greater quality consciousness or value for money proposition but more so with a view to ensure health and hygiene of the users. To ensure this there is a system of regular inspection and surprise checks by Inspectors and Officers of Indian Railways, at different levels to monitor quality of food of refreshment rooms/restaurants/kitchens managed departmentally and by private licensees. The IRCTC in its written reply stated that, in addition to the inspections being carried by Railway officials, IRCTC is conducting inspections through its own officials and has engaged the services of two professionally reputed food audit agencies namely M/s VIMTA LAB and M/s FRESH. (Foundation of Fresh Research & Enterprise for Safety & Hygiene) who carry out specific

inspections relating to hygiene, food safety and training alongwith micro biological analysis of food and water samples.

2.66. Quality control and hygiene manuals have been published and distributed to all railways and catering units to ensure quality control. Zonal Railways frequently take measures to implement the given standards of quality and hygiene.

2.67. Regarding complaints, the representatives of Ministry of Railways also divulged that, in the year 2004-05 approximately 340 complaints regarding food and 6 complaints in regard to package drinking water were received and action was taken in 246 and 1 case respectively. They also informed that regular inspection/surprise checks are carried out at all levels to ensure quality in catering services. Special drives are organised from time to time, complaints received are investigated and strict action taken against the defaulters.

2.68. The details of surprise checks done during the last 3 years are :-

<b>Year</b>	<b>No. of Checks</b>	<b>No. of cases in which action taken</b>
2002-03	5536	2239
2003-04	4896	2481
2004-05	2064	995

2.69. To bring improvement and efficiency in the catering services on Indian Railways has engaged internationally reputed food audit agencies who will also carry out inspection specially related to hygiene, food safety and carry out microbiological analysis of food stuff being served. Lifting samples of food stuff, both under PFA Act and Quality control, and sending these for analytical report, to State Food Laboratories and Railway Food Laboratories, respectively and suitable punitive action taken wherever necessary. Independent food audit agencies have also been deployed by Indian Railways Catering and Tourism Corporation (IRCTC) for standardization and quality checks.

## CHAPTER – III

### TOURISM

3.1. India with its rich and diverse cultural and historical traditions, has emerged as an important tourist destination. The Indian Railways with its large and extensive network, spread throughout the country can play a pivotal role in promoting tourism. Realising this IRCTC has been mandated to promote rail based tourism for both domestic and International Tourism by utilizing various services provided by the Indian Railways. IRCTC has initiated several measures to promote tourism on Indian Railways.

3.2 The Ministry of Railways have issued policy directives for promotion of tourism by IRCTC for the following schemes:-

- (i) Chartering of Special Trains : A total of 99 (including 33 steam trains on World heritage Darjeeling Himalayan Railways), 55 and 46 full trains were chartered during 2002-03, 2003-04 and 2004-05 respectively.
- (iii) Chartering of Special coaches: 247 coaches in 2002-03, 400 in the year 2003-04, 326 in the year 2004-05 coaches were chartered.
- (iv) Earmarking of reserved accomodation in trains for value added tour programmes: for promotion of comprehensive tourism including Rail Journey, Road Linkage, hotel accommodation, food and sight seeing Indian Railways provide for earmarking of reserved accommodation in regular trains for value added tours to be undertaken for promotion of organised tour. A total of 8771 berths were earmarked during 2004-05.
- (v) Chartering of Special Trains on hill Railways: Indian Railways through IRCTC provides special train charters on hill Railways for the benefit of domestic and foreign tourists.

### BHARAT DARSHAN SPECIAL TOURIST TRAIN (VILLAGE ON WHEELS)

3.3. To promote domestic tourism and to enable general people particularly from poorer sections, to visit different parts of their beloved country, Indian Railways have launched a scheme of 'village on wheels' (Bharat Darshan). A total of 11 circuits have been covered since inception of the programme in November, 2004. These circuits have originated from Patna, Vishakhapatnam, Mumbai and Madurai for various destinations covering Eastern, Northern, Western, Central and Southern parts of the country. The schedule of operation of the train is

being fixed as per tourist demand so as to enable maximum number of tourists to travel at affordable cost.

3.4. IRCTC does not operate the tourist trains by itself but markets it and issues letter of intent to reputed tour operators for this purpose. To popularise it further, the marketing of these trains is being undertaken through newspapers, print media, releasing of brochure and through newspapers. With regard to success of village on wheels the IRCTC officials claimed that:

“ village on wheels i.e. Bharat Darshan for poor people has been very successfully launched, 11 circuits have been covered. We are now expanding it further so that every person from the poorest of the society can use these facilities and see Bharat which he could not do before due to exorbitant stay arrangement and sight seeing costs that were involved.”

3.5. On being asked by the Committee regarding fare structure of the village on wheels (Bharat Darshan) the IRCTC officials explained, that on an average it costs Rs.350 to Rs.450 per day including meals and tea, accommodation, transportation and sight seeing. On an average for seven day package it costs around Rs.2500. They also informed that IRCTC has been asked by the Railways to bring down the cost.

3.6 When asked by the Committee why does not IRCTC itself operates these tourists trains, the representative of the IRCTC explained that considering the vastness of the country it is not financially and physically viable to create infrastructure at all places of tourist interest. Infrastructure is essential for the following areas:

- Marketing infrastructure through network of offices .
- Manpower deployment
- Provision of transportation facilities including buses at all places of sight seeing
- Provision of lodging facility including hotel lodge etc.
- Provision of catering and allied facilities at all locations
- Provision of guides
- Security personnel

The above infrastructure provision is extremely expensive and cannot be sustained on a long term basis and hence in order to keep cost of services reasonable these operations and functions will have to be planned through reputed tour operators.

3.7. Plans to introduce special tourist trains, covering important tourist circuits is a policy issue governed by the Ministry of Railways. On the directives issued by the Ministry of Railways from time to time, IRCTC initiates proposals for various tourism initiatives. Presently, there is no formal proposals regarding introduction of tourist trains by IRCTC. On behalf of Indian Railways, IRCTC undertakes marketing of special charter trains and steam charter trains on Hill Railway sections to promote tourism. IRCTC has been successfully able to market large number of steam charter trains specially on Darjeeling Himalayan Railway. Kalka Shimla Hill Railway and Nilgiri Mountain Railway for use by tourists.

3.8 Regarding achievements and progress made by the IRCTC in the field of promotion of tourism, IRCTC officials claimed;

“we have taken major strides in tourism, highlighting them they said that hardly anybody used Darjeeling Hill Railway, we started chartering trains. In the last two months we have run 50 charters for companies and for foreigners. We have made Darjeeling Hill Railway as one of the most popular destination for domestic travel and foreigners. We have requested travel companies to come to us. Now, we are taking children for camps. This summer we have run more than 50 coaches for taking children to the summer camp and back. We have provided over 200 coaches for these people. Now, we are expanding our services to Shimla railway and Ootacamund Hill Railway so as to bring foreigners to enjoy the facilities that we are providing. In addition our project village on wheels i.e. Bharat Darshan for poor people has been very successfully launched.”

3.9. Regarding future plans to exploit the potentialities, the vast untapped potential in tourism sector the IRCTC officials submitted that

“so far IRCTC has not made any future plans but the suggestion is well taken and we will work on it.”

## **CHAPTER – IV**

### **PACKAGED DRINKING WATER (RAIL NEER)**

4.1 In its endeavour to meet the growing and varied demands of railway passengers IRCTC has expanded the ambit and gamut of services offered to the passengers, one of these, is manufacturing and supply of packaged drinking water under the brand name of 'Rail Neer'.

4.2 In a written reply the IRCTC justified its venture in manufacturing of packaged drinking water by stating that the need for setting up of the packaged drinking water has arisen out of the large consumption of water on railways and the frequent cases of failure in sample checks of various BIS certified brands of packaged drinking water. To ensure that the railway users get safe and quality packaged drinking water, Rail Neer was made the exclusive brand to be sold at railway premises and in trains. Accordingly, IRCTC was instructed to set up state of the art plants comparable with the best in the industry. In the initial phase IRCTC was instructed to set up initially only two plants one at Nangloi, Delhi and the other at Danapur, Bihar. The capacity utilization of these plants is 100 per cent.

4.3. As per the Ministry of Railways Rail Neer is using processes that guarantee safe drinking water i.e. crystal clear, low in dissolved solids and free from all pathogenic bacteria and viruses as well as other harmful contaminants like fluoride, arsenic, nitrate and iron and conforming to the BIS specifications. The plants confirms to European Union Norms and employs eight stage purification process, the highest employed by any plant in India. The following eight processes are employed:-

1. Activated Carbon – Multistage activated carbon
2. Softner - Process employed for making Rail Neer
3. Ultra filtration
4. Reverse Osmosis
5. Calcite filter
6. Micron filters
7. Ultra Violet filters
8. Ozonation

4.4. The representatives of Ministry of Railways informed that Rail Neer is wholly manufactured by IRCTC. The plant is run by IRCTC, only maintenance contract has been given to outside agency.

4.5. To meet the increasing demand of Rail Neer IRCTC is taking the following measures :

- (i) The packaging capacity of the plants at Nangloi is being increased to 5000 bottles per hour, for which technical evaluation is under process. After the enhancement of production capacity, the Plant will be capable to produce 10000 cartons per day for 27 days in a month i.e. 2,70,000 cartons per month on three shift basis.
- (ii) For Western Region, Central Railways has been approached for allotment of suitable land in Mumbai area.
- (iii) For Southern Region, some sites have been suggested by Southern Railway in Tamil Nadu. As there are certain restrictions on ground water exploitation in the state, IRCTC has approached M/s Water and Power Consultancy Services India Ltd., a PSU under Union Ministry of Water Resources to conduct a detailed survey and suggest a suitable site.
- (iv) The capacity of Rail Neer Plant at Danapur is at present considered sufficient to meet the demand in Eastern and NF regions.

4.6. The details of different components and raw materials used for making Rail Neer and margin on sale of each bottle of Rail Neer in Delhi area are as per details below:-

**A. Cost of Raw materials Price per bottle (Rs.)**

Preforms	2.04
Caps	0.35
Shrink Labels	0.12
Cartons	0.36
Tapes	0.02
<b>TOTAL</b>	<b>2.89</b>

**B. Operation & other overheads**

Operation & Maintenance Charges	0.51
Electricity Charges	0.43
Freight & CFA charges	0.46
Excise Duty	0.80
Sales Tax	0.72
<b>TOTAL</b>	<b>2.92</b>



<b>C.</b>	<b>Total cost of raw materials &amp; overheads (A+B)</b>	<b>5.81</b>
<b>D.</b>	<b>Sale Price per bottle</b>	<b>6.50</b>
<b>E.</b>	<b>Contribution per bottle (D-C)</b>	<b>0.69</b>
<b>F.</b>	<b>Fixed Cost</b> (including Depreciation, Lease Rent and other Administrative overheads)	<b>0.52</b>
<b>G.</b>	<b>Net Margin per bottle (E-F)</b>	<b>0.17</b>

### **E-TICKETING**

4.7. Millions of travelling tickets are booked/reserved on the Indian Railways daily. To ease problems in booking of tickets and to make ticketing convenient and hassle free, IRCTC forayed into ticketing sector in consonance with one of the objectives of IRCTC to act as the access provider to Railway's passenger Reservation system and promote multiple channels of distribution using state of the art technology including Internet. Accordingly, IRCTC launched Internet Rail Reservation on 3<sup>rd</sup> August, 2002.

4.8. E-Ticketing has three main aspects first, booking of tickets. Second, payment for tickets booked and third, delivery of tickets.

4.9. (i) Booking of tickets: Tickets are booked mainly through internet, by logging on to the website of IRCTC and other service providers, from 9<sup>th</sup> September, 2004 booking of tickets through mobile phones has also been started. For this purpose IRCTC has tied up with leading cellular phone operators.

(ii) Payment Mechanism: The tickets are booked by IRCTC for each user after the payment has been confirmed using Master/Visa/Diner Club/American Express credit cards or through Direct debit from banks, having Internet Banking facility, who have tied up with IRCTC for this purpose.

(iii) Delivery System: Tickets are delivered mainly through courier, tickets can be collected from personal collection counter also. At present the delivery service covers 150 cities, and in future more cities will be covered.

4.10. During the evidence IRCTC officials apprised the Committee of the success of the E-Ticketing initiative of IRCTC, by saying that :

“one of our very successful projects has been the internet based ticketing We have now spread into 150 cities. We are selling more than 6000 tickets a day. Earlier

we were on the internet. Then we came on to the cell phones. This year we will be extending this facility to the land line also, so that a person can ring up on his ordinary telephone, book a ticket through us and we will deliver it as his or her house. Over 10 million tickets have been sent to various houses and not a single ticket has been lost or delivered on wrong address.”

4.11. When asked to explain what steps the IRCTC plans to undertake to make the ticketing through internet and other electronic means, further popular, IRCTC in its written replies stated that, IRCTC is planning the following measures to make ticketing popular.

- Extending delivery to other cities
- Adding more payment option for customer convenience
- Adding mobile based application to more Mobile service providers
- The booking services are available between 0800 hrs. to 2200 hrs. from Monday to Saturday and 0800 hrs. to 1400 hrs. on Sundays at the IRCTC website [www.irctc.co.in](http://www.irctc.co.in).

### **YATRI NIWAS AND BUDGET HOTELS**

4.12 IRCTC is also engaged with Management of Railway Hotels and Rail Yatri Niwas to help railway passenger in finding suitable accommodation. Although this is not its core concern but nevertheless it is not incidental and ancillary. It follows from the very nature and mission of IRCTC, to manage the entire hospitality business of Indian Railways.

4.13. Indian Railways had established two Yatri Niwas one each at New Delhi and Howrah, in addition it had also established BNR hotels at Puri and Ranchi.

4.14. Existing Yatri Niwas at New Delhi has been handed over to IRCTC with effect from 1<sup>st</sup> April, 2005. Rail Yatri Niwas at Howrah and BNR hotels at Puri and Ranchi are being handed over to IRCTC for management.

4.15. IRCTC informed that the Ministry of Railways have decided to set Rail Yatri Niwas/Budget Hotels on unused railway land in the vicinity of major stations and have directed IRCTC to establish the facilities. Identification of potential locations for establishing Rail Yatri Niwas/Budget Hotel is under process with various Zonal Railways.

The facilities will be established through private participation. In the first phase 6 sites are proposed at Madurai, Bangalore, Bhopal (Habibganj), Chandigarh, Sealdah and Secunderabad. Land ownership will continue to remain with the railway and lease license rental will be payable to the railways. The process of selection of reputed organisations to establish the facilities will be undertaken through open competitive bidding process, to enable maximisation of revenues. After the first phase is completed, IRCTC would be undertaking establishment of Rail Yatri Niwas/Budget Hotels at several other locations after identification of land is undertaken.

4.16. During the evidence the IRCTC officials further stated :-

Yatri Niwases at Howrah and Delhi have been handed over to us with a mandate to modernise them. IRCTC has already engaged the architects where certain provisions are being made to upgrade all the Yatri Niwases and Hotels that we have. In addition, our mandate is to set up Budget Hotels at six railway stations. There was certain clearances awaiting from the Ministry of Railways which had recently been given. Very soon, we will be floating tenders for setting up budget hotels in the country.”

## RECOMMENDATIONS/OBSERVATIONS

1. The Committee find that IRCTC is an extended arm of the Indian Railways to upgrade, professionalise and manage catering and hospitality services at stations, on trains and other locations, to promote domestic and international tourism, through establishment and development of Budget Hotels, information and commercial publicity and global reservation system, Rail Ticketing and provide quality packaged drinking water. The Committee appreciate that IRCTC is making efforts to improve and modernise catering. However, as an extension of Indian Railways, IRCTC has also to fulfill the social obligations towards the Railway users and those dependent on Railways.

The Committee after going through the New Catering Policy 2005, note that the system of catering envisaged in the Policy is totally different from what it was earlier. It has undergone a paradigm shift, the very notion and concept behind railway catering has been changed, it is no longer being treated as part of passenger amenities. The Committee further note that earlier catering on railways was based on the principle of no profit no loss, but in the New Catering Policy, the dominant theme is to commercialise it, privatise it. Profit motive is apparent on the face of it, license fee has been hiked, tendering and bidding system has been introduced, license would be given to the highest bidder, tenure of license has been reduced and departmental catering is being dispensed with.

Considering all these aspects of New Catering Policy, it is inevitable that when the catering policy is put into practice, it will directly or by implication impact and impinge on the interest of the passengers and railway users. The Committee, therefore, recommend that the whole system of catering including the Catering Policy-2005 should be reviewed so as to align the catering policy as a part of passenger amenities and not as a commercial and profit making venture alone. The Policy should incorporate provisions which fulfill social obligations towards passengers, railway users and those dependent on Railways. Further the Committee note that stay order is in vogue in awarding licence to static and mobile units till October, 2005. The Committee desire that the review of New Catering Policy be done before the expiry of the stay order.

2. The Committee are of the view that catering on Indian Railways apart from being a business venture forms a source of livelihood for most of the small caterers/vendors in trains and on stations. The entire family is dependent on it for generations. In view of this, the Committee is constrained to note that some of the provisions of the Catering Policy-2005 directly strike at the livelihood concerns of small caterers/vendors.

The Committee are particularly concerned about provisions in Para Nos. 15.6.1, 15.6.3, 15.6.4, 16.3, 16.4 of the Catering Policy-2005:-

(i) Para 15.6.1, provides that the tenure of the license for small units for restaurants, refreshment rooms at all 'B' & 'C' category stations and trolleys and stalls at category 'A', 'B' and 'C' category stations will be 3 years, this the Committee feel is unjustified and impractical, 3 years is too short a period to provide stability to any venture much less a business venture. This provision coupled with Para 15.6.3 which stipulates that there would be no renewal or extension after expiry of the contract will lead to uncertainty and insecurity in the minds of the small caterers. The Committee feel that this provision is anti entrepreneurship as no business can develop & flourish in such an environment of uncertainty. The licensee cannot plan ahead for future and will not invest and take interest in the venture. He will always be on tenterhooks. Considering all these factors the Committee suggest that the tenure of the small units should also be for a period of 5 years and thereafter only review of license should be done. After the review, the license should be generally renewed with necessary changes and modifications in the terms and conditions governing the license depending upon the performance.

(ii) Similarly, paragraphs 15.6.4 and 16.4 of the new policy stipulates that on every renewal of license of reserved categories at "A", "B" and "C" category stations or fresh allotments, license fee should be increased based on actual sales turnover or the unit subject to a minimum of 10 per cent hike over the prevailing license fee of the unit. The Committee feel that this is unwarranted and recommend that it should be reduced to a more reasonable level. The Committee also take note of para 16.3 which stipulates that 'may renew' the tenure license of small units at "D", "E" and "F" category stations after every five years subject to satisfactory performance. The Committee feel that this leaves much discretion in the hands of officials and is likely to be misused. They, therefore, recommend that the performance criteria should be analytical and rational with specific

parameters so that there is no scope for subjectivity. This will give confidence to the small caterers.

3. The Committee are happy to note that in the new catering policy provision for reservation has been made in favour of underprivileged and marginalized sections of society, but on close perusal of the policy, they discerned that the reservation policy followed by the Railways in awarding catering license lacks uniformity and is devoid of justifiable criteria. They particularly note three major lacunae in the policy. First, no provision for reservation has been laid in case of major units and the award of license made on the basis of professional criteria through open competitive bidding. Secondly, with reference to the small units dual standard has been made, for instance in restaurants/refreshment rooms at “B” and “C” category stations the quantum of reservation has been fixed at 25 per cent, while at “D”, “E” and “F” category stations, it has been pegged at 49.5 per cent. The Committee find the reservation anomalous and contradictory. Thirdly, the Committee specifically note that no criteria and standard has been adopted in allocating the percentage reservation among different categories of beneficiaries such as war widows, widows of railway employees, handicaps etc. In view of the above, the Committee desire that uniform policy of reservation should be followed in all catering units at all stations/trains. They, therefore, recommend that the existing reservation policy of Government of India should be followed strictly with necessary modifications and exceptions, if any, to be made in favour of any special category. Further, a specific criteria should be adopted in allocating reservation among different categories of beneficiaries.

4. The Committee find that only 252 mail/express trains have attached pantry cars (213 licensee and 39 departmental). Many long distance trains do not have the pantry car facility at all. The Committee are also concerned at the lack of modernization in pantry services. They also do not appreciate the criteria which have been laid down for providing attached pantry cars on the trains. They take exception particularly to the minimum journey time stipulation of more than 24 hours each way. Taking all these factors into consideration, the Committee reiterate their earlier recommendation and desire that every long distance train which runs for more than 15 hours each way should be provided with attached pantry car as early as possible. They also desire that the pantry services should be modernized by effecting changes in the design and décor of the pantry car and ensure minimum human handling by inducting modern gadgets/equipments and processes.

5. The Committee note with concern the phenomenon of unauthorized vending in the trains and at the stations. They are of the view that unauthorized vending not only causes loss of revenue to the Railways, but also poses a threat to health of passengers. However, they are also aware that this is a source of livelihood for many families. Considering these factors, the Committee earnestly desire that this problem should be tackled in a harmonious and prudent manner after taking into consideration different aspects of the problem. The Committee also

suggest that some sort of mechanism in the nature of an informal union or society should be created to organize the unauthorized vendors and a limited number of license should be given to the Union/Society depending upon the category of stations. The Committee recommend that unauthorized vendors should be identified, their credentials be verified and license be granted to them. Further they should be given identification numbers in the form of badge and uniform as is presently given to porters. This would ensure proper monitoring on such vendors and curb the possibility of misuse.

6. The Committee note with apprehension that with gradual privatization of catering services in the Indian Railways, the position of workers/vendors/hawkers engaged by licensee caterers has become vulnerable. Their job security is at risk and are more likely to be exploited now. Since there is no safety provision for them in the event of change of contractor, they could be jettisoned by the new contractor, their wages could be reduced even below the minimum level, their service condition could be varied to their disadvantage. In view of all these, the Committee desire that some sort of social security/safety net should be created in their favour. The IRCTC should formally or informally evolve some mechanism and ensure that in the event of change of contractor, workers should not be discontinued. They also desire that the departmental catering which are still in existence be continued.

7. The Committee find that now license would be awarded through tender system to the highest bidder instead of awarding through invitation of applications earlier. As far as the change over to tendering and bidding system is concerned, the Committee have no objections as such. However, their apprehension stems mainly from the fact that it would encourage speculative and excess bidding with a view to grab the tender. It could lead to deliberate tampering with the quality and quantity of the food and increase in prices of food articles on one hand and exploitation of the workers to recover the huge sum of money spent on getting the license on the other. So in the process both workers and Railway passengers stand to lose immensely.

To avoid the pernicious effect of the new tendering system, the Committee recommend that the objective behind tendering and bidding should be changed and it should be supplanted with a new system. License should be awarded to the bidder who quotes the lowest price and is ready to supply the prescribed and defined item/menu. Regular monitoring of the supply of quantity and quality should be essentially carried out. This will not only benefit the passenger, but also make Railway catering affordable and accessible to common passengers who otherwise seldom use Railway catering. This will also make catering profitable as volume will go up, more passengers will patronize the Railway catering.

8. The Committee note that an elaborate inspection and complaint redressal mechanism is *sine qua non* for improving the standard of catering services in Indian Railways. Quality control is of paramount importance in any concern dealing with food and beverages as it is directly linked to

health and safety of consumers. The Committee feel that strict and regular inspection/surprise checks have become crucial in the new catering regime. Almost 90 per cent of the catering system is presently being handled by private licensee caterers and in such a situation it becomes the responsibility of the license issuing authority to ensure that all terms and conditions of the license agreement are followed.

The Committee further note that at present enforcement power has been bestowed among Railway Board, Zonal Railways and IRCTC. This creates confusion and results in lax monitoring. They after taking into account these factors recommend that an elaborate and unified monitoring and quality control system should be evolved with minimum overlapping between different agencies. The Committee also suggest that redressal of grievances and disposal of complaints should be accorded top priority. They, desire that the system should be made fully electronic and computerized so as to ensure prompt action and hassle free registration of complaints.

9. The Committee express their reservation regarding the provision of minimum license fee that has been kept for different type of catering services in the new policy. They note that for Rajdhani/Shatabdi Express trains, minimum license fee has been kept at 15 per cent of annual sales turnover based on actual occupancy or any other percentage commission on sales. For other mail/express trains and static units, this has been kept at 12 per cent. They observe that this system based on estimated annual sales turnover entails detailed case by case assessment and requires constant supervision and continuous monitoring. The system apart from being cumbersome and time consuming is also prone to be misused since it gives much discretion and leeway to the assessing officers. Therefore, the Committee with a view to impart greater degree of objectivity to the system suggest that license fee should be replaced with a system based on rent/lease, arrived at after considering the location, dimensions, scale, maintenance and conservancy charges of the catering establishment in question.

10. The Committee note with appreciation the work done by the IRCTC in area of E-ticketing. They find that the entire process of e-ticketing goes through three inter related stages viz. booking of tickets, payment for ticket and delivery of tickets. IRCTC started the internet based Rail reservation on 3<sup>rd</sup> August, 2002. In September 2004, they expanded this facility to mobile phones by tying up with leading cellular operators to make it more accessible. Further, IRCTC is planning to extend this facility to landlines also. Similarly with regard to the payment for booked tickets, IRCTC has entered into agreement with leading private and public sector banks. Payments are at present being made through direct debit from banks and through credit cards. The delivery of booked ticket is mainly done through courier. The Committee were informed that in a short span of time, IRCTC has extended this facility to more than 150 towns, more than 6000 tickets are being booked every day, more than 10 million tickets have been delivered till now and the turnover has been more than 175 crore. They were apprised that not a single ticket was delivered at wrong address. However, the Committee feel that IRCTC has a long way to go as only a miniscule



percentage of people are patronizing this facility. They note that the problem lies with the payment mechanism. Credit and debit cards penetration is not wide spread. Even those who have these cards, are generally reluctant to use these for security reasons. Considering all these factors and with a view to make it popular, the Committee recommend that more payment options should be explored and made available so that general public can get benefit of this facility. They particularly suggest that IRCTC should make available cash cards of various denominations which could be distributed through the network of PCO booths, general stores, travel agents etc. so that anyone wishing to make payment quote the cash card number and the payment would instantly be made. This way e-ticketing would become more popular and come within the reach of general public.

11. The Committee note with satisfaction that IRCTC has forayed into manufacturing of packaged drinking water with the brand name 'Rail Neer' to meet the long felt need of railway passengers. Rail Neer is presently being processed/manufactured at two plants namely Nangloi in Delhi and Danapur in Bihar. These plants conform to BIS and EU norms. The Committee were informed that these plants employ eight stage purification process.

However, inspite of all these, 'Rail Neer' is not being used by majority of passengers because of its cost and taste. Common people still use local tap water or carry home water with them. The Committee note that the total production cost of 'Rail Neer' amounts to about Rs.6.50/- bottle (raw material Rs.2.89, operations and other overheads charges Rs.2.92). Further the Committee also note that of all the raw materials preforms, caps and shrink level together cost around Rs.2.50. They are of the view that if IRCTC starts supplying the purified water in other alternative low cost package, its cost would come down and would become more affordable. In view of this, the Committee recommend that IRCTC should consider supplying water in alternative low cost packages/pouches to reduce the overall cost of 'Rail Neer'. They desire that packages/pouches of different volume should also be introduced in the market. The Committee also desire that IRCTC, in consultation with experts, should take steps to improve the taste of Rail Neer. This would lead to more sale as the passengers and other costumers would have cheap water with wider options.

12. The Committee find that the Ministry of Railways have decided to set up Rail Yatri Niwas/Budget Hotels on unused railway land in the vicinity of major stations and have directed IRCTC to establish the facilities through private participation. They were also informed that provisions are being made to upgrade all the Yatri Niwases and Hotels in existence at present. The Committee are of the view that such facilities would help in tackling the hardships faced by Railway passengers in finding suitable accommodation. They emphasize that the Ministry of Railways should expedite the process of setting up new Budget Hotels and modernizing and repairing the existing ones. They urge the Ministry of Railways to give clearance for such projects at the earliest.

13. The Committee notice that bed rolls are provided to sleeper classes in Rajdhani and other express trains on demand, whereas the same is not provided in sleeper classes in ordinary long distance trains. They desire that on demand the bed rolls should be provided in sleeper classes of long distance trains also on payment.

**New Delhi**  
**29 August, 2005**  
**07 Bhadrapada, 1927 (Saka)**

**(BASUDEB ACHARIA)**  
**Chairman,**  
**Standing Committee on Railways**