

**STANDING COMMITTEE ON RAILWAYS  
(2006-07)**

**FOURTEENTH LOK SABHA**

**MINISTRY OF RAILWAYS  
(RAILWAY BOARD)**

**[Action taken by the Government on the recommendations/  
observations contained in the 14<sup>th</sup> Report of the Standing  
Committee on Railways (Fourteenth Lok Sabha)  
on 'Indian Railway Catering & Tourism Corporation'  
of the Ministry of Railways]**

**TWENTY SECOND REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

November, 2006/Agrahayana, 1928 (Saka)

SCR No.105

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*Presented to Lok Sabha on .....*  
*Laid in Rajya Sabha on .....*

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**STANDING COMMITTEE ON RAILWAYS****Shri Basudeb Acharia - Chairman****MEMBERS****LOK SABHA**

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**LOK SABHA SECRETARIAT**

- |    |                       |   |                      |
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| 4. | Shri Arun K. Kaushik  | - | Assistant Director   |
| 5. | Shri P.K. Sharma      | - | Sr. Exe. Asstt.      |

## **INTRODUCTION**

I, the Chairman of the Standing Committee on Railways (2006-07), having been authorized by the Committee to present the Report on their behalf, present this Twenty Second Report of the Committee on Action Taken by the Government on the Recommendations/Observations contained in the Fourteenth Report of the Standing Committee on Railways 2005-06 on 'Indian Railway Catering & Tourism Corporation'.

2. The Fourteenth Report was presented to Lok Sabha on 30.08.2005 and it contained 13 recommendations/observations. The Ministry of Railways have furnished their Action Taken Replies on all the recommendations/observations on 23.12.2005.

3. The Committee considered and adopted the Draft Action Taken Report at their sitting held on 18th September 2006.

4. An analysis of the Action Taken by the Government on the recommendations/ observations contained in the Fourteenth Report of the Standing Committee on Railways (Fourteenth Lok Sabha) is given in Appendix-II.

NEW DELHI;  
November, 2006  
Agrahayana, 1928 Saka

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

## REPORT

### CHAPTER – I

This Report of the Committee deals with the Action Taken by the Government on the recommendations and observations contained in the 14<sup>th</sup> Report of the Standing Committee on Railways on 'Indian Railway Catering & Tourism Corporation' (IRCTC). The Report was presented in Lok Sabha on 30<sup>th</sup> August, 2005 and laid in Rajya Sabha on the same day.

1.2. Action Taken Notes have been received from the Government in respect of all the 13 recommendations/observations contained in the Report. These have been broadly categorised as follows:

- (i) Recommendations/Observations which have been accepted by the Government:  
Para Nos. 8, 10 and 12
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:  
Para Nos.3, 4, 5, 6, 7, 9 and 11
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:  
Para Nos. 1 and 2
- (iv) Recommendations/Observations in respect of which final replies are still awaited:  
Para Nos. 13

**1.3 The Committee desire that final reply in respect of the recommendation for which only interim reply has been given by the Government should be furnished to them expeditiously.**

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

## **Catering Policy – 2005**

### **(Para No.1)**

1.5 In this paragraph the Committee after going through the New Catering Policy - 2005, had noted that the system of catering envisaged in the new Policy is totally different from what it was earlier. It had undergone a paradigm shift, the very notion and concept behind railway catering had been changed, it was no longer being treated as part of passenger amenities. They had also noted 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.

1.6 Considering all these aspects of New Catering Policy, the Committee observed that when the catering policy is put into practice, it would directly or by implication impact and impinge on the interest of the passengers and railway users. The Committee, therefore, had recommended 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 had noted that the stay order was in vogue in awarding licence to static and mobile units till October, 2005 and they desired that the review of New Catering Policy be done before the expiry of the stay order.

1.7 In their Action Taken Reply, the Ministry of Railways have stated as under:-

“There is no paradigm shift in the Catering Policy. Catering continues to be an important component of passenger amenity. Railways lose about



Rs.400 crores on catering services in case fully distributed costs including cost of haulage of pantry car are taken into account. Effort is being made to cut down the losses in the catering activities.

There is no shift to profit motive. Only charging of the licence fee has been rationalised so that Railways get their fair share in the revenue, which is generated by various licensees. Earlier the whole profit was accruing to the licensee alone, now a part of it is also coming to the Railways as licence fee/concession fee. The money so generated is being ploughed back for improving the catering infrastructure and modernization of catering processes like training of staff etc. so as to upgrade and professionalise catering services. In no way will it affect the passenger amenities as prices at which the F&B products will be sold will continue to be governed by the Railways.

The tendering process initiated has brought in transparency unlike the earlier system where allotment was through a process of applications, which may have led to discretion at times.

The new Catering Policy has addressed the social obligations of the Government Reservation quota for underprivileged in small units at A, B & C categories of stations has been introduced and it is 49.5% in the D, E & F categories of stations.

As suggested by the Standing Committee, the review of the Catering Policy has been initiated in Railway Board well before October, 2005.”

**1.8 The Committee had desired that review of the Catering Policy-2005 should be done well before October, 2005 when the stay order in vogue in awarding of licenses to static and mobile units will expire. They find from the action taken reply that the Ministry though have initiated the process of reviewing the Catering Policy – 2005 well before October, 2005 yet have not been completed the same so far. The Committee desire that the Catering Policy-2005 should be reviewed on priority basis within a fixed time frame**

and the action taken in this regard be placed before them within a period of three months.

**1.9 The Committee note from the action taken reply that the money generated from various license fee/concession fee is ploughed back in improvement of the catering infrastructure and modernization of catering processes such as training of staff etc. so as to upgrade and professionalise the catering service. They desire that the details of the money generated from the license fee/concession fee so far and the amount spent on development of catering infrastructure and modernization process be furnished to them.**

**Amendment in certain provisions of the Catering Policy-2005**

**(Para No.2)**

1.10 The Committee in this paragraph had opined that catering on Indian Railways apart from being a business venture formed a source of livelihood for most of the small caterers/vendors in trains and on stations. They were constrained to note that some of the provisions of the Catering Policy-2005 directly struck at the livelihood concerns of small caterers/vendors. The Committee were 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. The Committee felt that this was unjustified and impracticable as 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 felt 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 suggested that the tenure of the small units should also be made 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. Considering this as unwarranted, the Committee had recommended that it should be reduced to a more reasonable level. They had also taken note of para 16.3 which stipulates that ‘may renew’ the tenure of license of small units at “D”, “E” and “F” category stations after every five years subject to satisfactory performance. The Committee had observed that this leaves much discretion in the hands of officials and is likely to be misused. They, therefore, had recommended 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.

1.11 In their Action Taken Reply, the Ministry of Railways have stated as under:-

“Infrastructure input required for setting up a small static unit at a station does not involve any substantial cost, except a bare structure. Three years period is considered more than adequate for a party allotted such a stall to recover his cost of infrastructure. Only unreserved category stall at A, B & C categories of stations come within the purview of the above Policy.

Out of 8,055 stations in the country, only 935 stations approximately come under A, B & C category. At 7,120 stations, existing stallholders will continue to operate as they are subject to satisfactory performance. Thus, existing contractors at all above stations are not being disturbed and their livelihood is not being affected in any way.

Even at A, B & C categories of stations, reserved category stalls in small unit category will remain as they are and their livelihood will not be affected in any way. It is only unreserved category stall at A, B & C categories of stations, which are being put on tender.

The Committee's observation that tenure should be extended from 3 years to 5 years is under examination of Ministry of Railways.

The provision in the Policy for increase of the licence fee by 10% on renewal or on fresh allotment over prevailing licence fee of the unit is justified because fresh allotment will be done after 3 to 5 years. In this period the increase in the Wholesale Price Index for a period of 5 years is generally much more than 10%. Further due to increase in the number of passengers also, the sale will also go up to the period of 5 years.

The renewal system is based on periodical assessment of the performance. Performance based report about satisfactory performance is submitted on a requisite proforma which is very analytical to the committee, which recommends the extension. This is also a time-tested system and is very objective and equitable.”

**1.12 The Committee find from the Action Taken Reply that their apprehension that some of the provisions of the Catering Policy-2005 when put into practice may directly strike at the livelihood of small caterers/vendors has not been addressed to by the Government at all. The**

**Committee desire that examination of extending the tenure of licence for small units for restaurants, refreshment rooms at 'B' & 'C' category stations and trolleys and stalls at 'A', 'B' & 'C' category stations from 3 to 5 years be completed at the earliest. They also desire that the decision taken in this regard be apprised to them within a period of three months. Further, the Committee stress that at the end of the tenure, the licence should invariably be renewed unless there are specific charges of violation of provisions of Catering Policy and terms of contract, against a particular licensee.**

**Complaint redressal system for improving the standard of Catering services**

**(Para No.8)**

1.13 The Committee in this paragraph had noted 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 had felt 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.

1.14 The Committee had further noted 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 recommended that an elaborate and unified monitoring and quality control system should be evolved with minimum overlapping between different agencies. The Committee had also suggested that redressal of grievances and disposal of complaints should be accorded top priority. They desired that the system should

be made fully electronic and computerized so as to ensure prompt action and hassle free registration of complaints.

1.15 In their Action Taken Reply, the Ministry of Railways have stated as under:-

“There is a well-developed machinery to ensure that quality and quantity as prescribed by Railways are maintained by contractors. For this purpose, regular inspections are carried out by the Railway officials as well as officials of IRCTC.

There is at present dual system so that checks and balances can be maintained properly as only one agency inspecting may not get the perspective, which the other agency can have. Railways and IRCTC are in the process of computerising passenger complaints so as to get quick redressal. Hygiene and Quality Manual has already been prepared for the guidance of staff so that inspections can be carried out based on certain pre-determined norms.”

**1.16 The Committee appreciate the concern of the Indian Railways for ensuring strict adherence to the prescribed norms of quality and quantity with regard to catering services on the Indian Railways. However, they feel that there is always a scope for improvement in many areas. They feel that the proper maintenance of quality of food, the mechanism for inspection of food hygiene needs to be improved. With regard to monitoring and inspection regime, they desire that a uniform and unified system for monitoring and inspection should be put up in place instead of the present dual system. As regards the redressal of grievances and registration of complaints, the Committee desire that complaint book should be easily available without any hassle to the passengers. They have noted that at present official complaint books are not provided by the Railways to the catering managers. They desire that complaint book should be made available to the Catering Manager and it should be monitored and checked on daily/trip basis. They also desire that the steps taken by Railways in**

**computerization and making hassle free grievance redressal mechanism be intimated to them within a period of three months.**

## **CHAPTER – II**

### **RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Para No.8.**

The Committee noted that an elaborate inspection and complaint redressal mechanism was *sine qua non* for improving the standard of catering services in Indian Railways. Quality control was of paramount importance in any concern dealing with food and beverages as it was directly linked to health and safety of consumers. The Committee felt that strict and regular inspection/surprise checks had become crucial in the new catering regime. Almost 90 per cent of the catering system was 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 were followed.

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



### **Reply of the Government**

There is a well-developed machinery to ensure that quality and quantity as prescribed by Railways are maintained by contractors. For this purpose, regular inspections are carried out by the Railway officials as well as officials of IRCTC.

There is at present dual system so that checks and balances can be maintained properly as only one agency inspecting may not get the perspective, which the other agency can have Railways and IRCTC are in the process of computerising passenger complaints so as to get quick redressal. Hygiene and Quality Manual has already been prepared for the guidance of staff so that inspections can be carried out based on certain pre-determined norms.

### **Para No.10**

**The Committee noted with appreciation the work done by the IRCTC in area of E-ticketing. They found 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 had entered into agreement with leading private and public sector banks. Payments were at present being made through direct debit from banks and through credit cards. The delivery of booked ticket was mainly done through courier. The Committee were informed that in a short span of time, IRCTC had extended this facility to more than 150 towns, more than 6000 tickets were being booked every day, more than 10 million tickets had been delivered till now and the turnover had been more than 175 crore. They were apprised that not a single ticket was delivered at wrong address. However, the Committee felt that IRCTC had a long way to go as only a**

miniscule percentage of people are patronizing that facility. They noted that the problem lies with the payment mechanism. Credit and debit cards penetration is not wide spread. Even those who had these cards, were generally reluctant to use these for security reasons. Considering all those factors and with a view to make it popular, the Committee recommended that more payment options should be explored and made available so that general public could get benefit of this facility. They particularly suggested 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.

#### **Reply of the Government**

The suggestion for increasing the distribution network for e-ticketing and also for consideration of cash card is a welcome suggestion. Cash Cards have already been introduced for purchase of Internet Tickets.

Number of alternate options of payment for Internet Tickets are being explored and are getting implemented in stages. In addition to credit cards as a mode of payment inter account transfers from banks have been introduced and services of cash cards have also been introduced. IRCTC has offered their services to all cash card service holders so as to proliferate this activity.

#### **Para No. 12**

The Committee found that the Ministry of Railways had decided to set up Rail Yatri Niwas/Budget Hotels on unused railway land in the vicinity of major stations and had 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 were of the view that such facilities would help in tackling the hardships faced by Railway passengers in finding suitable

accommodation. They emphasized that the Ministry of Railways should expedite the process of setting up new Budget Hotels and modernizing and repairing the existing ones. They urged the Ministry of Railways to give clearance for such projects at the earliest.

**Reply of the Government**

Rail Yatri Niwas and Budget Hotels is a welcome area for extension and effort is being made by IR and IRCTC to expedite making of Budget Hotels.

**CHAPTER-III****RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE  
DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT  
REPLIES****Para No.3**

The Committee were happy to note that in the new catering policy provision for reservation had 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 was devoid of justifiable criteria. They particularly noted three major lacunae in the policy. First, no provision for reservation had 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 had been made, for instance in restaurants/refreshment rooms at “B” and “C” category stations the quantum of reservation had been fixed at 25 per cent, while at “D”, “E” and “F” category stations, it had been pegged at 49.5 per cent. The Committee had found the reservation anomalous and contradictory. Thirdly, the Committee specifically noted that no criteria and standard had 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 desired that uniform policy of reservation should be followed in all catering units at all stations/trains. They, therefore, recommended 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.

### **Reply of the Government**

There are no directives from Central Government about reservation and its percentage and criterion in contracts and licences. Licences are awarded and governed by Contract Act and Companies Act.

The management of major units requires lot of managerial acumen, functional capability and catering experience and capability to muster resources including financial resources and put up the system and processes which should cater to large scale operation in order to meet the aspirations and requirements of the traveling public. Major units require the best available professionals in the trade. Reservation in this category will not meet the above requirements.

Indian Railways have taken pro-active steps to provide reservation although there is no provision for it under Contract Act or Companies Act. Increase in reservation upto 49.5% at D, E and F categories of stations has been primarily done to look after the interests of weaker sections of the society.

Percentages decided by the Railways has kept in view the needs of these categories.

### **Para No.4**

**The Committee found that only 252 mail/express trains had attached pantry cars (213 licensee and 39 departmental). Many long distance trains did not have the pantry car facility at all. The Committee were also concerned at the lack of modernization in pantry services. They also did not appreciated the criteria which had been laid down for providing attached pantry cars on the trains. They took exception particularly to the minimum journey time stipulation of more than 24 hours each way. Taking all those factors into consideration, the Committee reiterated their earlier recommendation and desired 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 had also desired 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.**

### **Reply of the Government**

The suggestion given by the Standing Committee to modernize the design and décor of pantry cars and ensure minimum handling by introducing modern gadgets, equipments and procedure is noted.

At present, due to limited availability of pantry cars, the current stipulation is for attaching pantry cars to trains, which run for more than 24 hours. Whenever a pantry car is providing to a train, one coach has to be reduced as the locomotives have limited hauling capacity and are at present run to the full capacity.

The provision of pantry cars to trains with 15 hours run will invariably lead to reduction in passenger amenity.

To look after the requirement of catering services for such trains, which do not have pantry cars. Railways have a policy of **Train Side Vending (TSV)**, which caters to the requirement of such trains.

### **Para No.5**

**The Committee had noted with concern the phenomenon of unauthorized vending in the trains and at the stations. They were of the view that unauthorized vending was not only causes loss of revenue to the Railways, but also poses a threat to health of passengers. However, they were also aware that this was a source of livelihood for many families. Considering those factors, the Committee had earnestly desired that this problem should be tackled in a harmonious and prudent manner after taking into consideration different aspects of the problem. The Committee had also suggested 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 had recommended 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.**

### **Reply of the Government**

Unauthorized hawking under **Section 144 of Indian Railway Act** and further amendment as **Railway (2<sup>nd</sup> Amendment) Act 2003** is an offence, the provisions of which are given below:

#### **“144 : Prohibition on hawking, etc. and begging:-**

(i) If any person canvasses for any custom or hawks or exposes for sale any article whatsoever in any railway carriage or upon any part of a railway, except under and in accordance with the terms and conditions of a licence granted by the railway administration in this behalf, he shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to two thousand rupees, or with both:

Provided that, in the absence of special and adequate reasons to the contrary to be mentioned in the judgment of the court, such punishment shall not be less than a fine of one thousand rupees.

(ii) If any person begs in any railway carriage or upon a railway station, he shall be liable for punishment as provided under sub-section(1).

Any person referred to in sub-section(1) or sub-section(2) may be removed from the railway carriage or any part of the railway or railway station, as the case may be by any railway servant authorised in this behalf or by any other person whom such railway servant may call to his aid.

Grant of permission for unauthorised vending will require a change in the Railway Act. The Railway Act's above provision has been made with lot of deliberations and has stood the test of time.

(i) Safety & security of passengers. There are cases where unauthorised vendors have served obnoxious food resulting in grievous and serious injury to passengers.

- (ii) There may be increase in crimes committed at station by way of luggage lifting, snatching of chains etc. if unauthorised vendors are permitted.
- (iii) Quality of food cannot be ensured.
- (iv) It may also lead to sub-standard food by eating of which may make the passengers sick of ill and may not meet the PFA requirements.
- (v) It will give a bad image to Railways since raison d'etre is to control the licensees and put up a very strong quality control management system as suggested by Standing Committee.
- (vi) The number of vendors cannot be controlled.
- (vii) Further, there have been cases in Railways where members of the cooperatives have sought employment in Railways by using Labour Contract Act. This has already happened in cooperative societies for loading/unloading of parcels. The labour contract and regulations act is quoted and some judgment adversely affecting the Railways have been given.

The need does not exist for giving licence to unauthorized vendors as long-distance trains have been provided with pantry cars and such trains, which do not have pantry cars, are served through train side vending contracts. Adequate stalls and static units have been provided at stations to look after the needs of passengers. Unauthorised vending is a public menace as services provided by them are sub-standard. Cases of lifting of luggage from these sources have come up and they give Railways a bad name.

#### **Para No.6**

**The Committee noted with apprehension that with gradual privatization of catering services in the Indian Railways, the position of workers/vendors/hawkers engaged by licensee caterers had become vulnerable. Their job security was at risk and were more likely to be exploited now. Since there was 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 those, the**



**Committee desired 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 desired that the departmental catering which were still in existence be continued.**

### **Reply of the Government**

More than 90% catering on Indian Railways is already in private hands as has been brought before the Standing Committee by IRCTC.

Development of catering activity on the Indian Railways has brought about substantial increase in employment. IRCTC, during presentation before the Committee, has indicated that new catering activities have created more than 5000 jobs.

No railway man employed in catering activity has been retrenched. In order to consolidate catering services so as to increase the productivity and output, staff has been redeployed within the same system.

A formal mechanism cannot be evolved whereby a new contractor can be forced to take on the labour of the old contractor. However, informal systems do exist where the staff of previous contractor is taken over by the new contractor in large numbers.

### **Para No. 7**

**The Committee found 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 was concerned, the Committee had 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 recommended 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 was ready to supply the prescribed and defined item/menu. Regular monitoring of the supply of quantity and quality should be essentially carried out. That would not only benefit the passenger, but also make Railway catering affordable and accessible to common passengers who otherwise seldom use Railway catering. That would also make catering profitable as volume would go up, more passengers would patronize the Railway catering.

### **Reply of the Government**

There is a well established system on the Railways wherein menus for the meals supplied on the trains along with quantity of each item to be provided are fixed by the Railways. Each contractor has to abide by the above conditions as well as the rates at which he will charge for the services. These conditions are laid down in the contract document.

In order to ensure than the menus and the quantities prescribed by the Railways are adhered to by the contractor, frequent checks are carried out by the Commercial organization or the Railways. Thus, the interest of the travelling public are fully protected. A contractor bidding for a contract keeps into account these factors and bidding evolves after keeping in view the margins that he will derive from such a contract.

Award of contract to the lowest bidder will in no way change the present perspective as pre-determined menu, quantity and pricing are pre-determined. The present system ensures that part of his margins accrue to the Railways so as to utilise this money for re-deployment in improvement of services.

The system of award of contract to the highest bidder with strong quality check mechanism both for menu rates and quantity and quality is considered to be the best system and has been working satisfactorily.

#### **Para No.9**

**The Committee expressed their reservation regarding the provision of minimum license fee that had been kept for different type of catering services in the new policy. They noted that for Rajdhani/Shatabdi Express trains, minimum license fee had 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, that had been kept at 12 per cent. They observed that this system based on estimated annual sales turnover entailed detailed case by case assessment and required constant supervision and continuous monitoring. The system apart from being cumbersome and time consuming was also prone to be misused since it gave much discretion and leeway to the assessing officers. Therefore, the Committee with a view to impart greater degree of objectivity to the system suggested 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.**

#### **Reply of the Government**

The present system of keeping licence fee as a percentage of sales turnover is continuing since long and has stood the test of time as licence fee is linked to the sales. Rental will be fixed on the basis of market rate of land at a particular location. There may be situation wherein market rental may be very high with stall not getting the sale leading to a situation where the contract will be unviable. There will similarly be reverse situation when sales will be very high with the low market rent leading to abnormal returns to the contractor. Hence, licence fee is fixed to the sale rather than land rental, which vary from city to city. It is for this purpose that Railways propose to introduce tender system, which will

be purely market driven and will decide the value of a contract based on the market forces and this system will be transparent and open.

12% licence fee is charged at all units on the Indian Railways, mobile and static except for Rajdhani/Shatabdi trains where licence fee is 15% keeping in view the higher returns to the contractor.

#### **Para No. 11**

**The Committee noted with satisfaction that IRCTC had 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, in spite of all these, 'Rail Neer' was 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 noted 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 noted that of all the raw materials preforms, caps and shrink level together cost around Rs.2.50. They were 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 recommended that IRCTC should consider supplying water in alternative low cost packages/pouches to reduce the overall cost of 'Rail Neer'. They desired that packages/pouches of different volume should also be introduced in the market. The Committee also desired 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 customers would have cheap water with wider options.**

**Reply of the Government**

Rail Neer retail price is Rs.10/- only. Some of the other brands who process water through the same facilities are selling at higher price. The present facilities of production of Rail Neer have been designed for 1-litre bottles only. Technology in such plants cannot be introduced to provide pouches for which separate systems are required.

## **CHAPTER-IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **Para No.1**

The Committee had found that IRCTC was 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 had appreciated that IRCTC was making efforts to improve and modernise catering. However, as an extension of Indian Railways, IRCTC had also to fulfill the social obligations towards the Railways users and those dependent on Railways.

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

Considering all those aspects of New Catering Policy, it was inevitable that when the catering policy was put into practice, it would directly or by implication import and impinge on the interest of the

passengers and railway users. The Committee had therefore, recommended 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 noted that stay order was in vogue in awarding licence to static and mobile units till October, 2005. The Committee desired that the review of New Catering Policy be done before the expiry of the stay order.

### **Reply of the Government**

There is no paradigm shift in the Catering Policy. Catering continues to be an important component of passenger amenity. Railways lose about Rs.400 crores on catering services in case fully distributed costs including cost of haulage of panty car are taken into account. Effort is being made to cut down the losses in the catering activities.

There is no shift to profit motive. Only charging of the licence fee has been rationalised so that Railways get their fair share in the revenue, which is generated by various licensees. Earlier the whole profit was accruing to the licensee alone, now a part of it is also coming to the Railways as licence fee/concession fee. The money so generated is being ploughed back for improving the catering infrastructure and modernization of catering processes like training of staff etc. so as to upgrade and professionalise catering services. In no way will it affect the passenger amenities as prices at which the F&B products will be sold will continue to be governed by the Railways.

The tendering process initiated has brought in transparency unlike the earlier system where allotment was through a process of applications, which may have led to discretion at times.

The new Catering Policy has addressed the social obligations of the Government Reservation quota for underprivileged in small units at A, B & C

categories of stations has been introduced and it is 49.5% in the D, E & F categories of stations.

As suggested by the Standing Committee, the review of the Catering Policy has been initiated in Railway Board well before October. 2005.

## **Para No.2**

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

**The Committee were 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, provided 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 would be 3 years. The Committee felt that this was unjustified and impracticable as 3 years was too short a period to provide stability to any venture much less a business venture. That provision coupled with Para 15.6.3 which stipulated that there would be no renewal or extension after expiry of the contract would lead to uncertainty and insecurity in the minds of the small caterers. The Committee felt that this provision was anti entrepreneurship as no business can develop & flourish in such an environment of uncertainty. The licensee could not plan ahead for future and would not invest and take interest in the venture. He would always be on tenterhooks. Considering all those factors the Committee suggested that the tenure of the small units should also be made 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 stipulate 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. Considering that as unwarranted, the Committee had recommended that it should be reduced to a more reasonable level. They had also taken note of para 16.3 which stipulated that ‘may renew’ the tenure of license of small units at “D”, “E” and “F” category stations after every five years subject to satisfactory performance. The Committee had observed that this left much discretion in the hands of officials and was likely to be misused. They, therefore, had recommended that the performance criteria should be analytical and rational with specific parameters so that there was no scope for subjectivity. That would give confidence to the small caterers.**

### **Reply of the Government**

Infrastructural input required for setting up a small static unit at a station does not involve any substantial cost, except a bare structure. Three years period is considered more than adequate for a party allotted such a stall to recover his cost of infrastructure. Only unreserved category stall at A, B & C categories of stations come within the purview of the above Policy.

Out of 8,055 stations in the country, only 935 stations approximately come under A, B & C category. At 7,120 stations, existing stallholders will continue to operate as they are subject to satisfactory performance. Thus, existing contractors at all above stations are not being disturbed and their livelihood is not being affected in any way.

Even at A, B & C categories of stations, reserved category stalls in small unit category will remain as they are and their livelihood will not be affected in

any way. It is only unreserved category stall at A, B & C categories of stations, which are being put on tender.

The Committee's observation that tenure should be extended from 3 years to 5 years is under examination of Ministry of Railways.

The provision in the Policy for increase of the licence fee by 10% on renewal or on fresh allotment over prevailing licence fee of the unit is justified because fresh allotment will be done after 3 to 5 years. In this period the increase in the Wholesale Price Index for a period of 5 years is generally much more than 10%. Further due to increase in the number of passengers also, the sale will also go up to the period of 5 years.

The renewal system is based on periodical assessment of the performance. Performance based report about satisfactory performance is submitted on a requisite proforma which is very analytical to the committee, which recommends the extension. This is also a time-tested system and is very objective and equitable.

**CHAPTER-V****RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH  
FINAL REPLEIS ARE STILL AWAITED****Para No.13**

The Committee noticed that bedrolls were provided to sleeper classes in Rajdhani and other express trains on demand, whereas the same were not provided in sleeper classes in ordinary long distance trains. They desired that on demand the bed rolls should be provided in sleeper classes of long distance trains also on payment.

**Reply of the Government**

Bedrolls are supplied to the passengers of Rajdhani and all upper class coaches of Mail/Express trains. The fare is inclusive of bedrolls charges in such classes. Supply of bedrolls to Sleeper Class passengers involves logistics and infrastructure problems. However, the suggestion will be examined.

**NEW DELHI;**  
**November, 2006**  
**Agrahayana, 1928 Saka**

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

**APPENDIX-I****MINUTES OF THE SECOND SITTING OF THE STANDING  
COMMITTEE ON RAILWAYS (2006-07)**

The Committee sat on Monday, the 18<sup>th</sup> September, 2006 from 1500 hours to 1630 hours in Committee Room No. 139, Parliament House Annexe, New Delhi.

**PRESENT**

**SHRI BASUDEB ACHARIA - CHAIRMAN**

**MEMBERS****LOK SABHA**

2. Shri Prasanna Acharya
3. Shri S. Ajaya Kumar
4. Shri Ramdas B. Athawale
5. Shri Bapu Hari Chaure
6. Shri Kishan Lal Diler
7. Shri Giridhar Gamang
8. Shri Mahesh Kumar Kanodia
9. Shri Laxman Rao Patil
10. Shri A. Sai Prathap
11. Shri Kishan Singh Sangwan
12. Shri K. Subbarayan

**RAJYA SABHA**

13. Shri Karnendu Bhattacharjee
14. Maulana Obaidullah Khan Azmi
15. Shri Satyavrat Chaturvedi
16. Shri Lalit Kishore Chaturvedi
17. Shri Shreegopal Vyas
18. Shri Tarini Kanta Roy
19. Shri Isam Singh
20. Shri Harendra Singh Malik
21. Shri Abani Roy

**SECRETARIAT**

- |    |                      |   |                    |
|----|----------------------|---|--------------------|
| 1. | Shri A.K. Singh      | - | Joint Secretary    |
| 2. | Shri V.S. Negi       | - | Director           |
| 3. | Shri Arun K. Kaushik | - | Assistant Director |





**ANNEXURE****Additions/Changes made by the Standing Committee on Railways in Draft Report on 'Action Taken by the Government on the recommendations/observations contained in the 14<sup>th</sup> Report on 'Indian Railway Catering & Tourism Corporation'**

<b>Sl. No.</b>	<b>Page No.</b>	<b>Para No.</b>	<b>Line</b>	<b>Addition/Deletion</b>
1.	6	1.12	1	<p>Add in the beginning the following line:-</p> <p>The Committee find from the Action Taken Reply that their apprehension that some of the provisions of the Catering Policy-2005 when put into practice may directly strike at the livelihood of small caterers/vendors has not been addressed to by the Government at all.</p>
2.	8	1.16	4	<p>Add the following line after 'in many areas':-</p> <p>The Committee feel that the proper maintenance of quality of food, the mechanism for inspection of food hygiene needs to be improved.</p>

**APPENDIX-II****ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS/ OBSERVATIONS CONTAINED IN THE 14<sup>th</sup> REPORT (14<sup>TH</sup> LOK SABHA) ON 'INDIAN RAILWAY CATERING & TOURISM CORPORATION'.**

<b>Total number of Recommendations/Observations</b>	<b>13</b>
(i) Recommendations/observations which have been accepted by Government ( <i>Vide</i> recommendations/observations)  Para Nos. 8, 10 and 12.  Percentage of total	03     23%
(ii) Recommendations/observations which the Committee do not Desire to pursue in view of Government replies ( <i>Vide</i> recommendations/observations)  Para Nos. 3, 4, 5, 6, 7, 9 and 11.  Percentage of total	07     53.8%
(iii) Recommendations/observations in respect of which replies of which replies of Government have not been accepted by the Committee which require reiteration. ( <i>Vide</i> recommendations/observations)  Para Nos. 1 and 2  Percentage of total	02     15%
(iv) Recommendations/observations in respect of which final replies of Government are still awaited. ( <i>Vide</i> Recommendations/observations)  Para Nos.13  Percentage of total	01     7.9%