66

MARKETING BY INDIAN RAILWAYS

MINISTRY OF RAILWAYS (RAILWAY BOARD)

PUBLIC ACCOUNTS COMMITTEE 1993-1994

TENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

SIXTY-SIXTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(1993-94)

(TENTH LOK SABHA)

MARKETING BY INDIAN RAILWAYS

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

सत्यमेव जयते

Presented to Lok Sabha on 26.4.1994
Laid in Rajya Sabha on 26.4.1994

LOK SABHA SECRETARIAT
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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Sixty-Sixth Report on Paragraph 2.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1992, No. 10 of 1993, Union Government (Railways) relating to Marketing by Indian Railways, which was laid on the Table of the House on 7 May, 1993.

2. In this report, the Committee have observed that the share of Rail traffic in the total land freight traffic has been declining, inspite of the establishment of Marketing and Sales Organisation in 1967. The Ministry of Railways attributed the decline in rail traffic to the growth in road network, road vehicular fleet and also to the decline in the distribution of resources to Railways in the successive five years plans. The Committee have noted with regret that the Railways have not conducted any meaningful exercise to assess properly their capacity utilisation in terms of line, wagon, locomotive, coaches etc. with a view to finding out whether there was under utilisation of capacity. Emphasising the need for optimal utilisation of the rail capacity created at great costs, the Committee have recommended that the Ministry of Railways should undertake a scientific survey with a view to assessing the maximum traffic that Railways can handle and where the rail transportation would be cheaper *vis-a-vis* road not only for evolving effective strategies for successful marketing on Indian Railways but also for achieving better utilisation of the capacities created.

3. One of the important functions of the Marketing and Sales Organisation is to keep a watch on the loading of high profit yielding (HPY) commodities, for which daily quota of wagons have been fixed or guaranteed to improve their earnings. As per Railway Board's instructions the traffic in these commodities should not normally be subjected to any operating restrictions and the loading of these commodities should be watched by the operating and commercial officers at all levels. The Committee have expressed their unhappiness over the failure of the Marketing and Sales Organisation both at the Board and Zonal levels in keeping a watch on the loading of high profit yielding commodities.

4. Another objective of the Marketing and Sales Organisation is to improve the quality of service to the customers and for that to plan and provide inter model services combining the advantages of rail and road transport. Several services like Freight Forwarder Scheme, Container Services, Mobile Booking Service, Quick Transit Service, Speedlink express, Station to Station Rate, etc... have been undertaken by Indian Railways under the aegis of Marketing and Sales Organisation with this objective. After examining the working of several such schemes the Committee have arrived at the conclusion that despite the patronage of a

specialised Organisation for marketing, most of the schemes had not been successful in generating good response from the users. While the existing schemes were struggling to sustain their customer base, there was lack of seriousness in implementing the new schemes. Pointing out that the whole system of introduction of new schemes and operation of existing schemes leaves much to be desired, the Committee have recommended that the Ministry of Railways should thoroughly look into the matter and take necessary action with a view to sustaining and expanding the customer base of Railways.

5. The Committee have found that the main reasons for the poor performance of various services/schemes operated by Marketing and Sales Organisation and the marked deterioration in the loading of high profit yielding traffic were inadequate supply of wagons and the restrictions imposed on booking of traffic on account of operational difficulties. Taking note of the fact that the Indian Railways had remained stagnant at a particular efficiency level since 1987-88 in wagon utilisation the Committee have expressed their view that apart from scope for better utilisation of wagon capacity, there is need for effective coordination between the operating and commercial departments of the Railways.

6. The Committee have recommended that constant and continuous liaison needs to be maintained by the Marketing and Sales Organisation, both at the Railways Board as well as the Zonal Railways levels with the industry and trade so that the problems faced by them are ironed out to the extent possible with a view to ensuring that the commodities, particularly high rated ones are offered to the Railways for transportation. The Committee have also emphasised the need for evolving a proper system of market research which will act as an effective feedback and help in formulating plans and strategies for improved services and satisfaction to customers.

7. The Committee have time and again pointed out that a serious weakness of the Indian transportation system was the lack of co-ordination between rail and road system in the country. In this connection, the Committee have recalled their observations made in 70th Report (Sixth Lok Sabha). They have noted with regret that despite their persistent exhortations an integrated transport policy is yet to be formulated. In this report they have once again reiterated that the matter may be considered at the highest level and steps taken for formulating an integrated transport policy and evolving a mechanism for effective co-ordination of rail and road transport.

8. The Committee have noted that while an integrated transport policy had eluded the country, the marketing and sales efforts on the Indian Railways have not kept pace with the emerging role of Indian Railways. In the opinion of the Committee there is an urgent need to have a re-look into the role and functioning of Marketing and Sales Organisation in

Indian Railways in view of the fact that the share of the Railways in the total land freight traffic has been falling continuously and also in the context of the target set by Indian Railways for achieving 370 to 400 billion net tonne kilometers of freight traffic by 2000 A.D. against the present performance of 258 billion net tonne kilometers in 1992-93. They have therefore, recommended that the Ministry of Railways (Raliway Board) should look into the matter in-depth and take necessary action.

9. The Committee examined audit paragraph 2.1 at their sittings held on 11.10.1993. The Committee considered and finalised the report at their sitting held on 4.4.1994. Minutes of the sittings form Part II* of the Report.

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

11. The Committee would like to express their thanks to the Officers of the Ministry of Railways (Railway Board) for the co-operation extended to them in giving information to the Committee.

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

NEW DELHI;
13 April, 1994

Chaitra 23, 1916 (Saka)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

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REPORT

Introductory

Earnings from freight traffic account for about 70% of the gross traffic receipts of the Indian Railways. Recognising the importance of marketing in bossting freight traffic, the Marketing and Sales Organisation (M&SO) was set up in 1967 in the Railway Board and in the Zonal Railways. At the level of the Railway Board the Executive Director Traffic Commercial (Marketing) is responsible for Marketing and Sales and on the Zonal Railways, the Chief Marketing Superintendents (CMS) manage the marketing activities.

2. The objective and functions of the Marketing and Sales Organisation are:—

(a) to maintain close liaison with manufacturers and trading interests and to ascertain and solve their problems in connection with expeditious and safe transportation of their goods by rail by improving the quality of service;

(b) to plan and provide inter-model services combining the advantages of rail and road transport like freight forwarder service, container service and quick transit service;

(c) to keep a watch on the loading of high profit yielding commodities for which daily quota of wagons have been fixed or guaranteed;

(d) to take up measures to arrest the effect of rail-road competition and to have coordination between rail and road transport;

(e) to undertake marketing research, prospecting and development; and

(f) to undertake commodity/road surveys to ascertain commodity-wise pattern of traffic moving by road and the points between which this traffic is moved with a view to assessing as to which of this traffic could be brough to railways with advantage.

3. The Organisation has also been entrusted with the following functions:—

(a) formulation of earnings budget and monitoring the trend of earnings including those from the uneconomic branch lines;

(b) commercial planning and development;

(c) study of the economic development of new lines and projects; and

(d) to initiate measures to retain traffic on the Railways by introduction of special rates.

Earlier Report of Public Accounts Committee

4. The functioning of M&SO had engaged the attention of Public Accounts Committee on an earlier occasion also. The 70th Report of the Committee (1977-78 Sixth Lok Sabha) on paragraph 8 of the report of the C&AG for the year 1975-76, Union Government (Railways) which was presented in Lok Sabha on 14 April, 1978 had brought into sharp focus several deficiencies in the working of the Organisation. The Committee had emphasised the need for a proper evaluation of the functioning of the Marketing and Sales Organisation of the Railways with a view of streamlining it. The 16th Report of the Committee (1980-81 Seventh Lok Sabha), presented in Lok Sabha on 27 March, 1981 dealt with the action taken by Government on the recommendations contained in the 70th Report (Sixth Lok Sabha).

Audit Review

5. This report of the Committes is based on para 2.1 of the report of the C&AG for the year ended 31st March, 1992. No. 10 of 1993, Union Government (Railways). The present Audit review deals with issues arising out of implementation of the earlier recommendations of the Committee on the subject, the progress made by the Marketing and Sales Organisation in the last 15 years in the achievement of its objectives and the working of the schemes introduced by M&SO during the last 15 years.

Decline in Railways' share of land freight traffic

6. According to Audit, the performance of Indian Railways in the carriage of freight traffic *vis-a-vis* the total land freight traffic was as follow:

LAND FREIGHT TRAFFIC (BILLION TKMs)

year	Total traffic	Rail Movement	Percentage	Road Movement	Percentage
1950-51	49.6	44.1	89	5.5	11
1955-56	68.5	59.6	87	8.9	13
1960-61	122.7	87.7	71	35.0	29
1965-66	171.9	116.9	68	55.0	32
1970-71	193.4	127.4	66	66.9	34
1975-76	221.3	148.2	67	73.0	33
1980-81	256.5	158.5	62	98.0	38
1984-85	313.5	182.2	58	131.1	42
1990-91	NA	242.7		NA	

7. It will be seen from the above Table that the share of Rail Traffic in the total land freight traffic has been declining continuously over the years. There is a decrease of 10% during the period 1965-66 and 1984-85.

8. The Committee desired to know the reasons for continuous decline in the percentage of rail movement to total traffic. The Ministry of Railways (Railway Board) in a note stated:—

> "The extensive growth and planned development of transportation infrastructure in the country including construction of a vast network on National & State Highways manufacture of fleet of Road Transport vehicles has inevitably resulted in dispersal of freight traffic between the two principal modes of Transport *viz.* Railways and Raod Transport. The pattern of distribution of the traffic between the two modes has been influenced by economic and other factor such as the lead of traffic, value of commodities carried and nature of traffic etc. For the same reasons with the addition of fleet of passenger cars, three wheelers and other vehicles offering the advantage of commuting in close proximity to and from the place of work, the share of Railways in the total surface passenger traffic has declined."

9. Elaborating the point, the Ministry in a note furnished to the Committee after evidence further stated:—

> "The reasons for decline in the share of Rail Traffic *vis-a-vis* road traffic are also to be found in the distribution of resources to different modes of transport in the successive Plans as shown in the following table :

Plan	Share of total plan outlay in transport sector	Share of Railway out of (1)	% age of (2) + (1)
I	22.14	11.07	50.0
II	23.54	15.47	65.7
III	23.12	15.46	66.9
IV	15.98	5.91	37.0
V	14.06	5.23	37.02
VI	12.70	6.03	47.5
VII	16.43	9.23	56.2
VIII	12.43	6.26	48.4

10. According to the Ministry, while the Railways share in the allocation has been declining resulting in infrastructural shortages, there has been a

phenomenal rate of growth in the road transport. In support of this, the Ministry furnished the following details:—

	1950-51	1991-92	%age increase
Length of roads (kms.)	4,00,000	23,00,000	475
No. of Passenger Buses	34,000	370,000	988
No. of road-goods vehicle	82,000	16,05,000	1957
Route Kms. (Railways)	53,596	62,571	17
No. of Passenger Coaches	13,022	29,477	126
No. of goods wagons	2,05,596	5,58,347	171
Locomotives	8,342	16,931	102

11. When asked about the steps taken to effectively combat the effect of road competition on the freight earnings of Railways, the Ministry in a note furnished after evidence stated:—

"Railways have initiated the following schemes to attract traffic normally moving by road-(i) Freight forwarder scheme for parcels and goods traffic; (ii) Leasing of SLR space scheme for parcels; and (iii) Containerisation. In addition, measures such as re-classification of commodities, withdrawal of surcharge on parcels carried by selected super fast trains etc. have been taken to induce the freight to opt for transportation of other goods by rail."

12. The Committee pointed out that for formulating an effecive strategy for successful marketing on Indian Railways it was important to conduct an assessment of the capacity — in terms of line, wagon, locomotive, coaches etc. with a view particularly to finding out whether there was udner-utilisation of capacity. The Member, Traffic replied in evidence:—

"We will do it, Sir."

Nature of freight traffic in Railways

13. The percentage share of freight traffic earnings in the Gross Traffic Receipts of the Railways during each of the years 1988-89 to 1992-93 is as follows:—

Year	Share of freight Traffic received in Gross Traffic Receipts (per cent)
1988-89	68.51%
1989-90	71.00%
1990-91	69.51%
1991-92	68.92%
*1992-93	69.50%

* Provisional.

14. Revenue freight traffic on the Railways has two main components i.e., bulk commodities and other goods. Bulk commodities viz. coal, fertilizers, iron and steel, iron ore and other ores, cement, mineral oil, foodgrains, limestone and dolomite and stones other than marble, constitute about 95 per cent of the tonnage. Proportion of bulk commodities has been steadily increasing over the years. According to Audit, bulk commodities which made up 58.2% and 79.8% of total originating traffic in 1950-51 and 1970-71 respectively stood at 94.6% in 1990-91. 'Other-goods' traffic consisting of all other commodities accounts for the balance of the traffic. The volume of 'other goods' traffic has been steadily declining from 41.8% and 20.2% of total traffic in 1950-51 and 1970-71 to 5.4 per cent in 1990-91.

15. At the instance of the Committee the Ministry of Railways (Railway Board) furnished the following statement showing the commodities which account for more than 1% of total revenue earnings, percentage of total earnings, per centage of total profit/surplus for the year 1991-92:—

(Rs. in Crores)

Sl. No.	Commodity	Earnings	% to total earnings	Profit (+)/ Loss (−)	% of profit to total
1.	Coal	3570.16	38.42	(+) 967.01	43.41
2.	Mineral Oil	1026.49	11.05	(+) 337.70	15.16
3.	Cement	882.26	9.49	(+) 228.18	10.24
4.	Iron & Steel	885.89	9.21	(+) 425.02	19.08
5.	Foodgrains	708.61	7.63	(−) 158.02	—
6.	Chemical Manures	564.43	6.07	(+) 88.47	3.97
7.	Iron Ore	474.14	5.10	(+) 45.45	2.04
8.	Lime Stone & Dolomite	195.76	2.11	(+) 47.73	2.14
9.	Salt	119.20	1.28	(−) 56.38	—
	Total goods earnings	9293.08		(+) 2227.51	

16. An analysis of the above statement reveals that in 1991-92, nine bulk commodities like coal, mineral oil, cement iron & steel, foodgrains, etc. accounted for 88% of the total revenue earning traffic of the Railways. This implied that quantum of 'other goods' (including high profit yielding commodities) carried during 1991-92 was only about 12% of the total.

17. On being enquired about the reasons for the decline in the share of 'other goods', the Ministry of Railways (Railway Board) in a note stated:—

> "With the constraints on availability of wagons and in view of the national demand on rail transport in keeping view with the anticipated growth in various commodity sectors, the strategies and objectives of Indian Railways were completely re-oriented in 1980-81. A carefully considered and conscious decision was taken for

Railways to vacate the piecemeal short and medium distance traffic sectorts in favour of road transport and to concentrate on other categories which could not be conveniently or economically transported by road."

18. This shift in the rail transport strategy, according to the Ministry of Railways was also enshirned in the Sixth Five Year Plan documents (1980—85) — Clause 17, Para 17.10 and 17.33 which read as follows:—

17.10 As a long term goal, efforts will have to be made for them railways to develop the capacity to clear (i) all train load traffic for long, medium and short distances and (ii) all non-train load traffic (i.e., piecemeal traffic) for long and medium distances (except for certain commodities). This would broadly leave all short distance piecemeal traffic for the road transport."

17.38 "As mentioned above in the Transport and Energy Section (para 17.10) from the long term point of view and taking into account the emerging energy situation, it would be desirable for the Railways to develop capacity to clear almost all types of freight traffic except short distance piecemeal traffic which can be met by road transport, subject of course, to exceptions to this made in case of certain commodities due to their nature and requirement of handling. It would, however, take some time to develop capacity on the Railways to move all the desired categories of traffic. It may, therefore, be necessary for the Railways to leave, in the interim period not only piecemeal short distance traffic but piecemeal medium distance traffic also to road transport and concentrate on the other categories."

19. When asked about the measures taken or proposed to be taken to arrest this declining trend the Ministry in a note stated:—

"In accordance with the new directional thrust for rail transport, a sea-change has taken place in the pattern of traffic culminating in an increase in the share of 'bulk commodities' to 94.6% and reduction in the share of other goods' traffic to 5.4% in 1990-91. 'Other Goods' traffice has not been neglected however, Containerisation and Freight Forwarder Scheme are two services combining the advantages of road and rail transport which the Indian Railways have developed and fostered. Both services have been designed to cater primarily to other goods and 'smalls traffic bulk needed wagon/container loads and have aimed at the attracting additional traffic to rail and retaining receipt borne traffic which trends to move away from rail to other modes of transport."

20. It will also be seen from the above statement that Railways are incurring loss on transportation of foodgrains and salt. When asked for the specific reasons for the loss on the transportation of those two com-

modities, the Ministry of Railways in a note furnished after evidence stated:—

"These two commodities of mass consumption were being catered at concessional rates and were not subject to the freight rise for many years in order to contain prices in the interest of common man."

21. As regards the extent of concessions, the Ministry stated:—

"Foodgrains and salt are placed in Clause 85 and 85(a) respectively. The concessional freight rates in respect of grains and pulses and salt were respectively 38.13% and 43.16% lower than the normal freight rates for this class of commodity in 1991-92."

22. On being enquired about the latest changes the Ministry in a subsequent note stated:—

"With effect from 1.4.93 exemptions given to grains and pulses from freight increase have been withdrawn and now it is being charged at normal tariff rates. As regards salt, the 12% increase in freight charges as per of the Budget proposals for 1993-94 has been made applicable to this commodity. But the concessions as a result of exemptions from freight increases in the past have been retained mainly to avoid increase in the rakes for this commodity which is of mass consumption. This was unavoidable."

23. In the context of the earnings arising out of transportation of coal, the Committee's attention was also drawn to the fact that power plants were major defaulters for Railways in payment of freight for coal supplied to thermal power houses. The Committee also learnt that freight outstanding against power plants amounted to Rs. 700 crores in May 1993. They wanted to know whether the Railways insisted on 100% pre-payment of freight before loading of coal to defaulting power houses. The Chairman (Railway Board) stated:—

"We have been insisting on pre-payment for coal transported to the power houses. But.... we have to keep in mind the social aspect. It is not possible to take a stand that if a particular electricity board or a particular power house does not ensure pre-payment. We will stop supply."

24. He further added:

"The problem is that the Electricity Board have not been able to pay us in time for the freight, for the coal transported to them. The reason which is given to us is that they have not been able to realise their dues. So, they do not have money to pay us. If we have to take a commercial stand, we will simply say first pay us our dues then we will supply coal. However, I wish to point out that for social reasons, we cannot say so. We keep on pressing this point in the inter-ministerial meetings; we keep on pressing this point directly with the ministries. We have raised this point with the Planning commission. We have raised this point with the Finance Ministry. My Minister has even mentioned this to the Prime Minister. We do hope that with the help of our sister ministries, we will be able to get these dues realised. Some power houses have started making pre-payment. Some Electricity Boards are yet to fall in line. We are hopeful that we will be able to resolve it with their help."

Loading of High Profit Yielding Commodities

25. The Public Accounts Committee in their 16th Report (1980-81, Seventh Lok Sabha) while reviewing the action taken by Government on the action taken on the 70th Report (Sixth Lok Sabha) had recommended that the Marketing & Sales Organisation should strive to attract as much as possible the high rated traffic specially where there has been diversion to road on long and uneconomical distances.

26. There were 47 High Profit Yielding (HPY) commodities in 1970 which was enlarged to 78 in 1976. In March 1984 the Railway Board identified 35 categories of commodities as having fairly high profit yielding potential. As per Railway Board's instructions, the traffic in these commodities should not normally be subjected to any operating restrictions and the loading of these commodities should be watched by the operating and commercial officers at all levels. Further it was also stipulated that there should be close coordination between operating and commercial departments to ensure maximum loading of these commodities and the marketing officers of the Marketing and Sales Organisation were to make special efforts to increase loading in these commodities.

27. The quantum of traffic in HPY commodities averaged 6.7% of the total traffic but constituted 15.04% of the total earnings during the five years 1971-72 to 1975-76. Further, in 1990-91, the HPY commodities accounted for 5.4% of weight and only 8.09% of the earnings eroding the profitability and the very definition of the commodities as HPY. According to Audit, thus, the Railways have not succeeded in their efforts to increase the traffic in HPY commodities.

28. The Audit have also brought out certain illustrative cases indicating continuous decline in the loading and earnings from HPY commodities in various Zonal Railways. Some of such cases are dealt with in the succeeding paragraphs.

29. It is seen from the Audit para that on Southern Railway during the period 1985-86 to 1990-91 traffic in HPY commodities, except rubber registered a downward trend. A comparison of the position of traffic in 1985-86 to that in 1990-91 revealed an overall drop of 9,12,300 tonnes with a fall in earnings of Rs. 38.63 crores. However, the monthly appreciation report sent to the Railway Board did not indicate the reasons for the drop in loading of these commodities or the steps proposed to be taken to recapture the traffic. The Committee pointed out that the above position indicated that no analysis of such decline in earnings was carried out either

at Zonal Railway level or at Board level. When asked further for the comments the Ministry of Railways (Railway Board) in a note stated:—

> "The percentage of HPY commodities to the total on Southern Railway dropped from 9.8% during 1985-86 to 1.4% during 1992-93. The percentage of HPY commodities to 'other goods' dropped from 43.9% during 1985-86 to 13.4% during 1992-93. Over the years there has been less loading of 'other goods' as compared to programmed traffic due to the increased offering of bulk commodities and also the importance attached to the movement of essential commodities like coal, cement, foodgrains and POL. The diversion of general covered wagons to form CC rakes has also reduced the availability of such stock required for 'other goods' loading. In these circumstances the percentage of other goods to total has also dropped from 22.2% during 1985-86 to 9.3% during 1992-93."

30. The Ministry enumerated the following reasons for the decline on loading and earnings from HPY commodities on Southern Railway:—

"(1) Iron & Steel and machinery moved in open wagons of various types. These have been diverted over the years for the loading of commodities like coal, limestone, and iron ore which are available for movement in bulk quantities.

(2) All the other high profit yielding commodities moved in covered wagons which have been formed into rakes of BCXs-CRTs-CC rakes for the purpose of moving bulk traffic like cement, foodgrains and fertilisers.

The general availability of piecemeal wagons has thus reduced leading to a drop in loading of 'other goods' including HPY commodities."

31. In the case of Central Railway it was seen that loading of electrical appliances declined from 76,000 tonnes in 1989-90 to 41000 tonnes in 1991-92. Similarly loading of oil seeds decreased from 26,000 tonnes in 1989-90 to 11,000 tonnes in 1991-92. Audit pointed out that M&SO had not analysed the reasons for the steeping fall. The Committee desired to know the reasons for the sharp decline. In reply the Ministry of Railways (Railway Board) in a note stated:—

> "Restriction on the booking of 'Smalls' and piecemeal loading of traffic, shortage of piecemeal wagons caused by the aggregation of BCXs/CRTs and conventional covered wagons into takes, drop in loading of oilseeds owing to less offering as a result of crop failure and drop in imports of vegetable and edible oils were the main reasons for the shortfall in loading of HPY commodities on Central Railway."

32. The Audit para further revealed that on the South Eastern Railway target for loading HPY commodity was exceeded in 1989-90 but declined in 1990-91 and 1991-92. The Committee wanted to know the reasons for the non-achievement of the targets. In their reply the Ministry stated that the reasons for shortfall for targets fixed for 1990-91, 1991-92 was primarily due to the non-availability of adequate number of piecemeal wagons for loading. In the above context the Committee enquired about the question of availability of wagons. The Ministry of Railways in a note furnished after evidence stated as follows:—

> "Railways are moving more than 95 percent of bulk commodities traffic in block rakes which enables movement of maximum quantities of traffic at faster speeds. To meet this demand even piecemeal wagons are collected to form block rakes which causes time lag in placement of piecemeal indent to supply of wagons. Since the time taken for a piecemeal wagon to meet the demand is high, the traffic not suitable for movement in block rakes normally gets diverted to other means of transport. High rated commodities are generally moving in piecemeal wagons and in view of higher transit time get diverted to road."

Railways have made sustained efforts not only to retain the high rated traffic with Railways but also to increase Railway share in transport of such traffic. There is substantial increase in loading of high profit yielding commodities. The comparative position for last three years on S.E. Railway is given below:—

In Million tonnes

Commodity	1990-91	1991-92	1992-93
POL	2.85	3.26	4.86
Iron/Steel	8.33	9.65	10.35
Non-Ferrous metals	0.65	0.89	1.03

33. It has been pointed out by Audit that the 1984 list of HPY commodities still remained unchanged in 1992. The Committee enquired about the criteria for inclusion of the 35 commodities in the list in 1984. In reply the Ministry of Railways in a note furnished subsequent to evidence stated that only those commodities whose originating tonnage in the preceding year was 10,000 tonnes or more and whose profitability was Rs. 1,000 or more per wagon were included in the list in 1984.

34. Asked whether the list had undergone any revision, the Member, Traffic stated in evidence:—

> "We will revise that list".

35. The Ministry in a note furnished in this context after evidence stated:—

> "The list of High Profit Yielding commodities was revised in 1993 by deleting those commodities which are (a) a loss making; (b) whose tonnage is less than 30,000; and (c) whose minimum freight is less than Rs. 8.5 per wagon kilometer."

36. The information furnished by the Ministry also revealed that as against 35 items included in 1984 the list revised in 1993 contained only the following 11 items:—

1. Cement (Including Cement Manufactured)
2. Mineral Oils
3. Chemical Manure
4. Total Iron & Steel
5. Sugar
6. Total Non-Ferrous Metals
7. Soda Ash
8. Jute Manufactured
9. Cotton (Raw)—full pressed
10. Soap
11. Rubber—Crude and Manufactured

37. When asked to comment on the policy and approach of Indian Railways towards High Profit Yielding commodities, the Ministry of Railways (Railway Board) in a note furnished to the Committee stated:—

> "The definition and scope of high rated commodities has been changing in accordance with the variation in the pattern of transportation of bulk commodities and other goods. Thus when the share of the "Other goods" traffic was 41.8% and 20.2% of the total traffic carried in 1950-51 and 1970-71, the marketing strategy was oriented towards attracting what were considered 'high profit yielding' commodities. In 1967, 47 commodities were identified as high profit yielding. In 1976, the list of HPY commodities was enlarged to 78 commodities. These were in the 'other goods' category and were carried on 'Smalls' or as 'piecemeal' traffic in wagons.
>
> There has been a clear and conscious shift in strategy with regard to the movement of traffic by rail. Implicit in this directional shift to bulk carriage of goods, was the fact that the HPY commodities falling in the category of 'other goods' in 1970-71 no longer had the same economic relevance on earnings generation potential in 1980-81. To obviate the possibility of any loss being sustained by Railways on this account, the classification of several of the important commoditie

constituting the 'Bulk' sector was revised upward to enhance their profitability, which in relation to the sheer volumes and distances carried, was several times higher than what could have been achieved by the large number of earlier identified 'HPY' commodities carried as 'smalls' or as 'piecemeal' traffic in wagon loads."

38. The Ministry furnished the following statement indicating the change in classifications and claiming improvement in net tonne kilometres carried of certain bulk commodities:—

Commodities		Classification			Net Tonne (Million) Kms.		
		'74-75	'85-86	'91-92	'74-75	'85-86	'91-92
1.	Coal	37.5	115	130	32,907	64,401	91,660
2.	Fertilisers	45	115	115	4,788	14,901	17,499
3.	Iron & Steel	—	210	210	10,496	12,720	15,384
4.	Cement	47.5	125	135	6,095	11,729	22,243
5.	Iron Ore	42.5	100	110	7,553	10,718	15,115
6.	POL	70	240	240	6,901	10,959	15,475
7.	Foodgrains	30A	85	85	15,172	32,714	37,282
8.	Limestone	45	110	120	2,277	3,579	5,442

39. Maintaining that the policy has enabled Railways to carry higher volumes of originating freight tonnage and earn higher revenue, the Ministry furnished the following statement:—

Year	Originating Freight Tonnage (Million tonnes)	Lead in (Kms)	Originating Revenue (Crores)
1	2	3	4
1980-81	195.9	720	1550.9
1981-82	221.2	709	2250.3
1982-83	228.8	694	2865.9
1983-84	230.1	692	3234.2
1984-85	236.4	688	3465.0
1985-86	258.5	719	4232.2
1986-87	277.8	726	4990.7
1987-88	290.2	726	5839.2
1988-89	302.0	698	6196.7

1	2	3	4
1989-90	310.0	709	7460.8
1990-91	318.4	711	8247.0
1991-92	338.0	714	9293.1

40. Elaborating on the approach of the Railways on High Profit Yielding commodities, the Ministry in their note further stated:—

> "A tangible outcome of the marketing interface with the bulk users of rail transport has been the innovative introduction of the Intermodel concept of transportation, commencing with the introduction of 5 ton containers in the 1960s and culminating in its expansion into International Standard Twenty Foot Equivalent Units (TEUs) for clearance of export import car setting up of the Container Corporation of India with a national network of 19 Inland container Depots and Container Freight Stations. The thrust mounted by Indian Railways in the Intermodel movement has helped it to recapture and attract additonal high rated 'smalls' and 'piecemeal' traffic moving by road. CONCOR, which is an extension of the Marketing Organisation of the Railways, handled 155585 Containers in 1992-93 and achieved a turnover of Rs. 81 crores. While handling of international cargo is the mainstay of CONCOR's operation, it has diversified into the field of transportation of domestic cargo in both IRS and ISO Containers. High value general goods traffic is ideally suited for containerisation and CONCOR is successfully weaning it over to railways and would consolidate it further by aggregating less than train load traffic into unit trains.
>
> Indian Railways through its marketing organisation have thus successfully nurtured and enlarged their base of high rated 'Bulk' traffic more effectively and efficiently than envisaged originally and have not restricted the scope of their marketing thrust to a limited group of 'HPY' commodities identified in a limited context in the 70's and whose relevance has undergone a seachange in the current scenario in which the Marketing Organisation has been geared upto the new opportunities and challenges of the 90's."

Inter model services

41. One of the principal objectives of the marketing & Sales Organisation is to improve the quality of service to the customers and for that to plan and provide inter model services combining the advantages of rail and road transport. Several services have been undertaken by Indian Railways under the aegis of Marketing and Sales Organisation with this objective. This included Freight Forwarder Scheme, Container Services, Mobile

Booking Service, Quick Transit Service, Speed Link Express, Station to Station Rates, etc.

42. The Public Accounts Committee in their 70th Report (Sixth Lok Sabha) had recommended that targets and goals in relation to each service undertaken under the aegis of Marketing & Sales Organisation should be laid down. They had also recommended that the measures actually taken to step up marketing and sales promotion activities with a view to expanding the various services rendered by the Marketing & Sales Organisation should also be clearly indicated stating separately how far these have proved effective.

43. In this context the Committee examined the performance of certain services by M&SO in general and with reference to some of the zonal Railways in particular. Some of such schemes are dealt with in the succeeding paragraphs.

Freight Forwarder Scheme (Goods)

44. In this scheme, introduced in 1969, approved freight forwarders collect and deliver consignments from/to the godown of the individual trader at the forwarding and destination station in 'small' and offer them for transportation by rail between specified terminals in wagon loads. Such traffic is generally carried in conventional wagons or containers by nominated quick transit service or express and super-express goods trains. In 1974-75 and 1975-76 the scheme was available in 67 routes and the number of wagons loaded was 12,872 and 12,491 with an earnings of Rs. 387 lakhs and Rs. 418 lakhs respectively. During the year 1990-91 this scheme was available over 60 routes. The loading went up from 27,785 wagons in 1989-90 to 28,653 wagons in 1990-91 indicating a growth of about 3%. The earnings also increased from Rs. 23.71 crores in 1989-90 to Rs. 29.57 crores in 1990-91.

45. From the information made available to the Committee it was seen that the earnings from Freight Forwarder Scheme during the last five years was as follows:—

Year	Earnings in Crores of Rupees
1988-89	19.59
1989-90	23.71
1990-91	29.57
1991-92	22.34
1992-93	15.52

46. According to Audit Para, under the Freight Fordwarder Scheme Railways were not aware of the type of commodities loaded which might have led to the Loading of high profit yielding commodities under this scheme. In this context the Committee's attention was particularly drawn to the operation of these schemes in the Northern Railways. The freight

earned under this service in the Northern Railway increased from Rs. 189 lakhs in 1987-88 to Rs. 607 lakhs in 1991-92. A test check of three high profit yielding commodities namely soap, plaster of paris and soda showed a steep shortfall in traffic from 36,100 to 2,000, 25,000 to 2,770 and 14,900 to 5,110 tonnes respectively during 1987-88 to 1991-92. According to audit it was possible that the increased in traffic under Freight Forwarder Scheme in the Zonal Railways was due to diversion from high profit yielding commodities. The Audit also pointed out yet another drawback in the scheme, *i.e.* non-prescription of forwarding note indicating the packing condition etc. and as such any claim arising out on consignments loaded under the scheme could not be disputed on grounds of non-compliance of packing conditions etc.

47. The Committee desired to know the steps taken or proposed to be taken by Railways to remove the above mentioned shortcomings. The Ministry of Railways (Railway Board) in a note stated:—

> "The question of high rated traffic gravitating towards the Freight Forwarder or of payment of claims to the Freight Forwarder under the Freight Forwarder Scheme does not arise on account of the following considerations:
>
> a) Banning of high rated commodities like cement, fertiliser, iron & steel, limestone, coal for loading by Freight Forwarders.
>
> b) Prescription of Forwarding Note which clearly defines the limited liability of the Railways in reference to Freight Forwarder Wagon.
>
> The broad policy and parameters of the Schemes are laid down by the Railway Board and revised from time to time. For several years the lumpsum rates for Freight Forwarder wagons hovered around the rate for commodities in Class 95. Based on a subsequent review and analysis of the performance of the scheme the Board revised the rate of Class 110. In the context of the current situation it has now been decided to reduce the rate with effect from 7.9.93. The above would indicate that the performance of the scheme is carefully and constantly monitored and reviewed by the Board and modifications are made in it from time to time as deemed necessary."

48. Asked whether any decentralised marketing decisions are permitted to be made at the divisional level under the scheme and whether the staff got any incentive for high surplus earnings from the scheme, the Ministry in a note replied:

> "The actual implementation of the scheme including the computation of freight payable on different routes is done on each Zonal Railway by the marketing department in consultation and with the concurrence of the Financial Adviser of the Railway and the approval of the General Manager. The question of rating/costing of

the scheme at the divisional level does not arise as such authority has not been delegated to the divisions. Their role is in the area of actual implementation and monitoring its day to day working as also gathering market intelligence and making appropriate recommendations to the Marketing Department at the zonal level for appointing new Freight Forwarders considered necessary for consolidation of 'Smalls' traffic into wagon loads."

49. It has been pointed out by Audit that as a result of fixation of Freight Forwarder rate on the lower side by the Eastern Railway in a case, the Railway Administration was deprived of an earning of Rs. 70 lakhs during 1989-90. Whereas during 1989-90 the rate under Freight Forwarder Scheme was below the average earning of a wagon, there was also indents for wagon pending with Eastern Railway (2165 per month) for transportation of other goods traffic. In this connection, the Committee desired to know the criteria followed while fixing the rates under Freight Forwarder Scheme. The Ministry of Railways in a note furnished after evidence stated:

"Fixation of rates under the Freight Forwarder Scheme is done by the Zonal Railways on the basis of guidelines issued by the Ministry of Railways. The factors to be considered include the following:

i) Rates quoted should cover the cost of operation.

ii) Rates should be competitive with rates offered by road haulers.

iii) Assessment of the freight earnings per wagon both for wagon loads and small should be made taking into account the annual quantum of such traffic moving by rail between the stations proposed to be served by the Freight Forwarder Scheme including adjacent goods sheds/stations.

In recent years, the Zonal Railways have been directed to keep their Freight Forwarder rates around a specific class rate for the same distance. At present the Freight Forwarder rates cluster around class 100.

Under the Freight Forwarder Scheme, the Freight Forwarder is expected to comply with the prescribed packing conditions. He has to ensure that the packing is such as to withstand the normal transit hazards. No claims are payable by the Railways on account of his failure in this regard."

50. When enquired by the Committee on the Audit objection about the loss sustained by the Eastern Railways the Ministry in a note stated as follows:

"Eastern Railway fixed the lumpsum rates on the basis of the guidelines issued by Board from time to time. One of the factors taken into acc[illegible]t was the current average earnings per wagon. The main objective of FF Scheme is to provide an inter model door to door service by consolidaion of 'Small' and parcels traffic into wagon/

parcel van loads at rates competitive with those charged by road hauliers so as to arrest the tendency of diversion of such traffic to road transport. Eastern Railway's rates for the FF Scheme were fixed above the all India average earning rate of 4 wheeler wagons and but for this a surplus revenue in 1989-90 of Rs. 6.2 crores would otherwise have been lost to road. There is, therefore, no basis for the conclusion that the Railway administration was deprived of earnings of Rs. 70 lakhs during 1989-90.

51. The Audit Para revealed that in the Central Railway there was a declining trend of loadings under Freight Forwarder Scheme and that the reasons for the decline in the loading were not on record. There was a shortfall in the physical performance of the scheme in Eastern Railway. Similarly in the South-Eastern Railway to number of wagons loaded had shown a drastic fall from 5328 in 1988-89 to 671 in 1991-92. The Freight receipts fall from Rs. 4.07 crores to Rs. 1.02 crores. The Committee enquired the reasons for the same. The Ministry of Railways in a note stated:

"On South Eastern Railway the decline in traffic under the FF Scheme is attributable not only to the shortage of 4 wheeler wagons but also to restrictions imposed from time to time on the booking of piecemeal wagon loads and the drop in production of jute goods following the closure of a majority of jute mills, the principal commodity booked under the FF Scheme on South-Eastern Railway being jute and jute products.

The reasons for the short supply of wagons has been explained namely, the aggregation of covered wagons into rakes to cater to bulk movement of goods.".

Mobile booking service

52. According to Audit this service was in operation in Southern, South-Eastern and Eastern Railways. Under this scheme a door to door service is provided with the road operation of the journey being covered by transport contractors. A review of the operation of this scheme by Audit revealed that the earnings in all the three Railways together was only Rs. 4.7 crores and the quantity of goods moved was 77878 metric tonnes during 1987-88. This also declined to 2400 tonnes and Rs. 2.91 crores (to Railways) in 1991-92. The receipt from the scheme according to the Audit is negligible in comparison with even the total quantity of traffic moved under other goods. The Audit also pointed out that there was no incentive in the scheme since The traffic was booked at normal tariff rates and the road operation was also charged. The Freight Forwarder Scheme also with a door to door service and the common wagon load rate was more attractive. In reply to the queries made by the Committee this regard the Ministry of Railways in a note stated:—

"The Mobile Booking Service is not a marketing scheme in-as-much as it is basically an additional facility provided to the user in the collection of his outward goods from his premises. The Railways normally operate this facility through a transport contractor. To be precise, the Railway Staff, instead of booking the goods at the goods shed do it at the site of the consigner, and make arrangements for transport of goods to the Rail point. This arrangement therefore necessarily entails road movement between the premises of the consigner and the goods shed and the total freight charged includes the road haulege charge as well as the Rail tariff as per tariff.

On the other hand FF Scheme is a Marketing Scheme and the Railways charge a lumpsum rate for carriage of goods from point to point. Such piecemeal/wagon load traffic is brought to the Rail point by the FF at his own cost. There is thus no comparison between the FF Scheme and the Mobile Booking Service which as stated above is only an additional facility of street collection provided to the user.

The operation of Mobile Booking Service on the individual Railways is probably determined by the local conditions and demand for such facility by the Rail users. In any case, the two services being distinct, and Mobile Booking Service not being a marketing scheme, neither have any targets been fixed for street collection of goods nor any special rates/incentives prescribed."

Quick Transit Service

53. Quick Transit Service (originally introduced in April 1956) is available between certain pairs of stations both in wagon loads and smalls. Consignments booked under this scheme are to be made available for delivery at the destination station within the time limit invited by the Railway administration for each pair of stations. For delivery within the time limit, quick Transit Service charged, in addition to the freight charges is collected. In case the consignment is not made available for delivery within the stipulated time the Quick Transit Service Charges are refunded.

54. The percentage of consignments delivered with the guaranted time limit, to the total consignments and the percentage of QTS charge refunded to the total QTS charge collected are two indicators of the performance of this service. This performance has a direct impact on the marketing efforts as reliability of delivery is bound to bring in more traffic. An analysis by Audit of the performance of Quick Transit Service revealed that the percentage of QTS charged refunded which was 25% in 1985-86 increased to 79% and remained at that level during 1989-90 to 1991-92 (Western Railway). The Audit para also revealed that the performance of this service was dismal in all the Zonal Railways. Reacting to the Audit objections the Ministry in a note stated:—

"The QTS was introduced in April 1956 between specified pairs of points on the zonal Railways for both wagon loads and Smalls. This service offers the customer an assurance that his goods will be transported within a stipulated time and it involves an attempt by the railways to maintain a pre-determined transit schedule. For this 'reassurance', an additional charge of 5% is levied and is refundable in the event the transit time is either not adhered to or is exceeded. It is a notional and nominal charge which besides serving the objective of reassuring the customer also meets to some extent the overheads for monitoring the scheme.

In the light of the foregoing it would be appreciated that the additional 5% surcharge by itself does not lend the service to be evaluated in term of profit & loss.

As regards the claims arising out of thefts in QTS wagons; Railways maintain statistics of claims paid on account of thefts in all wagons only and not separate for 'QTS wagons' or any special category like 'Four Wheeler' 'Bogie Wagons' etc."

55. The Committee desired to know the zone-wise percentage of failure to adhere to the guaranteed delivery schedule in respect of QTS. The Ministry in a post evidence note furnished the following information:—

Railway	1990-91	1991-92	1992-93
Central	100	100	100
Eastern	40.24	15.67	7.62
Northern	NA	22.75	37.85
Southern	60	52	15
South-Central	47.97	16.85	9.57
South-Eastern	NA	NA	NA
Western	94.57	80	100

56. On being asked about the remedial measures proposed to be taken to ensure timely delivery of consignments the Ministry in a subsequent note replied:—

"The QTS was introduced in 1956 when the pattern of movement of freight traffic was quite different. There was no full rake movement goods trains moved from one marshalling yard to another and every goods shed received/despatched wagons in piecemeal from to other goods sheds. In such circumstances the monitoring of piecemeal wagons booked under QTS was possible. However, with the emphasis shifting to bulk train-load, point to point movement, the scheme is no longer viable. It has, therefore, been proposed to discontinue the scheme altogether."

Speed Link Express

57. Speed Link Express (SLE) trains for goods traffic were introduced in June 1984 with a guaranteed transit time and an offer of refund of 5% freight charges in addition to Quick Transit Service charges for failure to adhere to the guaranteed time. According to Audit the Scheme did not make any break-through mainly due to lack of coordination between the commercial and operating departments and consequent failures to adhere to the guaranteed transit time. The scheme of refunding 5% freight traffic for late delivery has been withrdrawn in 1992.

58. The Audit para revealed the following

(i) on Southern Railway, instead of augmenting the Railway revenues the scheme resulted in foregoing even the normal revenue on account of avoidable lapses. Besides loading of SLEs goods required to be made on nominated days only acted as a constraint since the traders could not obtain railway receipts immediately for raising funds and at the same time had to incur expenditure on godown rent for storing their goods till the nominated day.

(ii) in Western Railway it was not possible to evaluate the performance of SLE as details of refund on onward traffic and the total amount collected on inland traffic were not available. Further SLEs were also run with significant under loads.

59. The Committee desired to know the reasons for the scheme not having been successful. The Ministry of Railways in a note stated:

"The Speed Link Scheme which has been in operation for the last nine years on the Indian Railways has now stablised after some initial fluctuations, as the following table shows:—

Performance of Speed Link Express Service from 1985-93

Year	Loadings (Wagons)	Tonnage (lakhs)	Earnings (in lakhs)	Refund (in lakh)	%age of refund with ref. to earnings
1	2	3	4	5	6
1985	30210	7.6	1725.00	3.74	0.20
1986	17798	3.29	1018.00	3.60	0.30
1987	14524	2.68	1088.00	4.46	0.40
1988	22827	3.58	1297.00	5.29	0.40
1989	14322	4.00	1249.00	6.36	0.51
1990	18297	3.97	1821.00	10.19	0.56
1991	32017	6.24	3050.04	14.59	0.48

1	2	3	4	5	6
1992	35079	7.19	3632.45	7.53	0.21
Upto May '93	12757	N.A.	1475.00	N.A.	—

60. The Ministry in their note further stated:

"The operating and Commercial (Marketing) Departments of the zonal railways work together in a coordinated fashion to ensure that failure in adhering to the transit time is avoided. Regular monitoring of the running of Speed Link Express is being done in the Board's office as well."

Being a terminal railway with a short lead of 138 kms. which is the last lap of the journey of the Speed Link trains, Southern Railway has necessarily to make the refunds in all cases where transit time has been exceeded.

With the close monitoring of the running of Speed Link trains at the divisional, zonal and Board levels the instances of trains exceeding transit time have comparatively reduced resulting in a low percentage of refunds paid in 1992 as indicated in the Table above."

Station to station rate

61. In order to enable the rails to have some flexibility in the matter of charging freight on commercial considerations the concept of station to station rate, at rates below the normal tariff was introduced to attract traffic and earn additional revenue. The extant order provided that (i) no reduction was permitted in the rates for commodities chargeable at Clause 80 and below in train goods and wagon loads; (ii) for train load/wagon load traffic no reduction is permitted in respect of movement for less than 150 kms. etc. The Audit paragraph revealed two cases where Railways had incurred loss of revenue under this scheme. In one case freight traffic of Rs. 2.15 crores was lost due to lack of initiative in getting traffic under station to station rate. The Committee desired to know the reasons for such a huge loss in this case. The Ministry of Railways (Railway Board) in a note stated:—

"Request for a station to station rate received from M/s Bihar Alloy Steel Ltd. for carrying their finished steel products to Kalampoli/Bombay and Jamshedpur/Tatanagar were examined in detail by Eastern Railway. However, the proposal was not considered feasible particularly in view of the fact that the industry was located in coalfield area where adequate demand for BOX wagons already existed and it would not have been possible to divert BOX wagons for loading of any other traffic on subsidised rate.

The proposal for booking of clinker from Dalla to Chunar was also examined with a view to quoting station to station rates. The proposal involved the empty return of BOX wagons from Chunar to Dalla. Had the proposal for station to station reduced rates been accepted it would have resulted in reduction in average earnings of a wagon. Moreover clinker is not considered an important high profit yielding commodity and is classified only at 135 class."

New Schemes

62. According to Audit, the following new schemes were proposed by the Railway Board for implementation over Indian Railways amongst other schemes:

(i) Own your wagons in 1985

(ii) Leasing out SLR space for parcel loading in 1990-91

(iii) Introduction of fast parcel services in 1990-91

63. The Committee desired to know the reasons for delay in implementation of the schemes and the latest position with regard to their implementation. The Ministry of Railways (Railway Board) in a note furnished after evidence stated:—

"The 'Own Your Wagon' Scheme was launched in 1985 did not invoke public response. A revised 'Own Your Wagon' Scheme was launched during the year 1992. The Scheme invites investments from bulk users for ownership of units of train loads for which railways will pay lease charges at the rate of 14.5% for the first 10 years and 1% for the subsequent 10 years. A copy of the terms and conditions of the Scheme is enclosed.

As a result of intensive marketing and series of meetings with the core sector the Scheme received a very good response resulting in booking of orders of the value of 200 crores for 890 wagons.

The above orders have been placed on different wagons builders and the first train of 60 BOY wagons of Essar Gujarat has already rolled out from TEXMACO.

The Leasing of SLR space for parcel traffic was introduced in the year 1991. The scheme invites the private parties and Freight Forwarders to book SLR spaces to the extent of 4 tonnes on lease based on the tender system. The Scheme has evoked very well response on Western Railway and other Railways are making efforts to market the scheme."

Availability and utilisation of wagons

64. Non-availability of wagons was one of the reasons cited for shortfall in performance of various schemes. In reply to a question of the Committee in this regard, the Ministry of Railways (Railway Board) in a note stated:

"The effective number of wagons in actual operation are 2,63,743 units. The daily average loading is around 44,000 wagons which totals to 13,20,000 wagons per month. As against this pending demands at the end of any month are not more than 26,000 which is less than half a day's loading. It will be seen, therefore, that there is no shortfall in supply of wagons to meet the current demand."

65. When the Committee pointed out that the wagons utilisation in Indian Railways was also poor, the Member, Traffic stated during evidence:

"Indian Railways are doing 1446 net tonns kilometer per wagon on lines. I would not call it poor. I would say that we have remained stagnant at particular efficiency level since 1987-88..."

Liaison with trade and industry

66. One of the objectives of the Marketing and Sales Organisation was to maintain close liaison with trade and industry to ascertain and solve their problems on transportation by rail. In this connection the Committee's attention was drawn to a sample study by Audit of the booking of paper, sugar and turmeric at three different stations with reference to the raw materials received at the concerned stations, annual rate of production of the commodity and average share of traffic offered for transport by rail. In the case of a papers mill factory located in Rajahmundry in Andhra Pradesh having an annual capacity of one lakh tonnes, the rails share of traffic was hardly on average of 10% and had also reduced from 840 wagons in 1986-87 to 232 in 1991-92. The main reason was stated to be non-supply of wagons in time for this piecemeal traffic causing inordinate delay in traffic as well as late arrival of destination.

67. Similarly the Market Organisation had not been able to attract in respect of a sugar factory with an annual production of 3 to 6 lakh tonnes located near Nizambadh station on South Central Railway.

68. In yet another case of turmeric traffic in the same area, the traders were stated to have been forced to divert the business to road transport due to non-availability of wagons and extra fare charges caused by movement of traffic through lengthier roads. The Committee desired to know the reasons for such diversions in goods traffic to other agencies and steps taken to eliminate the chances of such diversions. The Ministry of Railways (Railway Board) in their note stated:—

"Paper traffic was mostly offered in piecemeal wagons. For this reasons delayed transit was unavoidable since it took time to prepare full load and clear the traffic. The mill owners could not load full rake due to limited production capacity and scattered demands.

The movement of sugar is controlled by Ministry of Food & Agriculture. Most of the traffic is to short lead destinations and the quantum to be moved is not very large. Neither the central godowns nor the civil authorities are equipped to handle large quantities of sugar. Therefore, movement of sugar takes place mostly by road.

Most of the turmeric traffic of South Central Railway is meant for Northern Railway destinations, Restrictions were imposed on loading and movements *via* Khandwa during March 1992 to March 1993 and consignors were reluctant to have their wagons moved by the longer and costlier route *via* Ballarshah. The non supply of wagons was therefore not the reason for diversion of this traffic from rail."

69. When enquired about the concrete efforts being made to attract sugar traffic by rail the Ministry in a post evidence note stated:—

"The movement of sugar by rail during the year 1991-92 and 1992-93 was as under:—

Year	BG 4-Wheeler wagons	Tonnes	BG 4-Wheeler wagons	Tonnes	Total tonnes
1991-92	71129.5	1707108	21555	387990	2095098
1992-93	74885.5	1797252	27273	489114	2286366

Sugar being essential commodity is under partial control of Govt. of India. The levy sugar from the factories is moved under a programme issued by the Ministry of Agriculture. Accordingly, the bulk movement of sugar in rake loads is undertaken by Railways while the non levy-sugar moves in piece-meal and over short distances is moved by road transport.

Continual efforts are however made by the Marketing and Sales Organisation to maximise the loading of sugar. Meetings are held with the representatives of sugar mills at frequent intervals to remove difficulties faced by them. Such interaction with the Sugar Industry is held at the Zonal Railway level regularly."

Road Surveys

70. Among others it is also one of the objectives of M & SO to undertake market research, prospecting and development; and to undertake commodity/road surveys to ascertain commodity-wise pattern of traffic moving by road and the points between which this traffic is moved with a view to assessing as to which of this traffic could be brought to Railways with advantage.

71. The Public Account Committee in para 1-219 of their 70th Report (6th Lok Sabha) had recommended as follows:

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

72. According to Audit road surveys were conducted by M & SO sporadically and even when conducted there was no analysis or follow up action. When asked for his reaction on the Audit objection, the Member, Traffic stated in evidence:—

"I would agree with what has been stated.... We have not conducted any road survey; we have only done the surveys that required sitting down at a check-post at the border and see what vehicles are passing through. At that time we could know what commodity were moving between which points, who the consigners were etc."

73. On being asked about the highlights of that survey the witness further stated:—

"It is very insignificant in the sense that one survey was done at Delhi-Ghazibad border for two days in 1987. But it did not give us that type of information that we could really call a scientific study of what is required to be done."

74. When further enquired about the methodology adopted by M&SO in conducting market research and commodity road surveys, the Ministry of Railways (Railway Board) in a note furnished after evidence elaborated:—

"The methodology adopted by the Marketing & Sales Organisation is to organise road checks/surveys at the main exit points of important goods traffic generating cities to determine the quantum, type periodicity and rates charged by the road hauliers in respect of the traffic transported by road. The result of such surveys are then compared to the rail rates and efforts are made to attract such traffic to rail by offering such rates and making such arrangements for the speedy and secure clearance."

75. The Committee desired to know the periodicity of such surveys the Ministry in another note furnished after evidence inter-alia stated:—

"Market surveys are conducted by the Zonal Railways from time to time as the need arises. The periodicity of such surveys has therefore, not been prescribed. Instructions have recently been issued by the Board to the Zonal Railways to organise commodity-wise surveys of traffic moving by road to be conducted at the check post around the following cities:—

Eastern Railway—Mughalsarai and Burdwan

Northern Railway—Lucknow, Kanpur, Saharanpur, Ludhiana & Delhi

Southern Railway—Bangalore, Madras & Trivandrum

South Central

Railway—Vijayawada & Secunderabad

Western Railway—Ahmedabad, Baroda and Surat...."

Rail-Road Coordination

76. The subject of rail-road coordination had come up for review by the Public Accounts Committee in the past on several occasions and the Committee had made several observations emphasising the need for such coordination. Some of the extracts of the important observations made by Committee in the past are as follows:—

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

"1.71 The Committee find that about Rs. 26 crores have been invested by the Railways in various State Road Transport Corporations primarily with a view to regulate rail-road coordination. Even though the Railways are getting adequate return on their investment in the form of fixed rate of interest, the aim of rail-road coordination has not been achieved.... The Committee recommend that the Railway Board should in concert with the Ministry of Transport and State Governments review the position to devise methods for making the Railways participation more effective."

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

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

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

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

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

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

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

77. The Committee in para 1.231 of their 70th Report (Sixth Lok Sabha) had recommended as follows:—

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

78. While reviewing the action taken by Government on the above recommendation the Committee in their 16th Report (1980-81— 7th

Lok Sabha) had recorded the following action taken reply furnished by the Ministry of Railways:—

> "The Planning Commission had constituted a high level Committee in April, 1978 *viz.*, the National Transport Policy Committee to propose a comprehensive national transport policy. The full report of the Committee has been received in May 1980. The recommendations made are being processed in consultation with the Ministries/ Organisations concerned. Copies of the report when available after printing will also be sent to the State Government for their views. It is expected that finalisation of decision on various recommendations may take about 6 months."

79. The Committee desired to know whether there was any integrated policy on transport now in existence. The Chairman, Railway Board stated in evidence:—

> "I dont't think that there is any integrated policy on transport as such."

80. On being further asked about the desirability of the same, the witness replied:—

> "It would be a part of the National Transport Policy."

81. The Committee wanted to know the machinery which was presently available at national level for ensuring continuous and complete road and rail coordination. The Ministry of Railways (Railway Board) in a note furnished subsequent to evidence stated:—

> "With the objective of creating an appropriate mechanism for achieving continuous and complete road and rail coordination, the Planning Commission had set up the National Transport Policy Committee in 1978. The Committee in its report submitted to the Government in 1980 recommended, *inter-alia*, that a national transport commission should be established for implementation of the above objectives. It is, however, understood from the Planning Commission that the recommendation for setting up a national transport commission was not approved by the Government."

82. In their note the Ministry however, added that coordination was achieved at Zonal Railways level through participation in the State Road Transport Corporations in which Chief Marketing Manager represents the concerned Railway and interacts with State road tranport authorities on issues of common rail-road interests.

83. On being further enquired by the Committee about the reasons for not accepting the recommendation for the setting up of the National Transport Policy Commission, the Ministry of Railways (Railway Board) in a note furnished subsequent to evidence stated that Planning Commission

had advised that after examining the recommendation Government had come to the following conclusion:—

> "Existing arrangements for coordination in respect of transport policy, investment and planning being done by the Planning Commission and in respect of operational problems being done by Department of Coordination may continue."

84. In reply to a related question, the Ministry of Railways (Railway Board) in a post evidence note stated that the Luthra Committee formulated a report on "Perspective Planning for Transport Development" for consideration by the Planning Commission. From the information furnished by the Ministry it was seen that among others the Luthra Committee had also dealt with the issue relating to integrated rail and road transport. However, the Ministry furnished no reply to a question of the Committee about the action taken in pursuance of the recommendations made by the Luthra Committee.

Achievements of M&SO

85. The Audit paragraph reveals that during 1991-92 the expenditure incurred on Marketing and Sales Organisation was of the order of about Rs. 90 lakhs. The Committee pointed out that the thrust of this Organisation has mainly been on 5% other goods. They desired to know as to how far the activities of M&SO were helpful to the Railways in augmenting their earnings. In reply, the Ministry of Railways (Railway Board) in a note stated that the Organisation was constantly engaged in identifying any irritants in offering, loading and despatch of goods and offer suggestions for the removal and thus provided for a greater measure of customers satisfaction. The Ministry also stated:—

> "The gross revenue of the Indian Railways during 1991-92 is of the order of Rs. 14,000 crores. As against this, an expenditure of Rs. 90 lakhs is less than one per cent of the total earnings. An Organisation which has a significant role to perform...........needs to be strengthened further and there is a case for stepping up the expenditure on this account."

86. Asked why then no steps had been taken in the past by the Ministry from time to time to strengthen M&SO, the Ministry in a note furnished after evidence stated:—

> "Appropriate steps have been taken by the Zonal Railways from time to time to strengthen and restructure the Marketing Organisation to suit their local requirements."

87. The Committee desired to know why the objectives and functions of M&SO had been allowed to remain stagnant in the past 27 years despite vast changes in the freight traffic scenario. The Chairman, Railway Board stated in evidence:—

> "I do not think that they had remained stagnant throughout these 25 years. The Marketing Organisation has done good work in these

25 years.......there is a lot more to be done and it is our objective to have additional work done as a mission for the future."

88. The Committee desired to know the achievements of the M&SO in general. The Member, Traffic (Railway Board) stated in evidence:—

"Marketing organisation can only sell the product which Railway manufactures. At the time this marketing organisation was set up our unit was four-wheeler wagon. Today our strategy and product is quite good. We can market all the commodities which conform to the product. That is why I picked up those commodities for which the marketing organisation have worked, if you see the list, iron & steel figured in the original list; it figures even today. We have done a lot on it. This is one area where the strategy and product is combined which includes movement to stockyards and piecemeal, all taken together. We are today having a traffic of about 13 crore million tonnes."

89. Enquired as to what the Organisation had achieved specifically in the past 5 years, the Ministry in a note furnished after evidence enumerated the following:—

"(i) running of speedlink services (ii) multi-model movement of traffic (iii) setting up of Container Corporation of India Ltd. (iv) establishment of a network of Inland Container Depots (ICDs) and Container Freight Stations (CFSs) (v) leasing of SLR space (vi) monitoring of movement of high profit commodities."

90. When enquired about the concrete proposals now being contemplated by the Ministry to strengthen and revamp the M&SO so as to expand the customer base and also to provide for a greater measure of customers satisfaction, the Ministry of Railways (Railway Board) in a note furnished stated:—

"The Chief Marketing Manager has been positioned in the operating department under the overall control of the Chief Operations Mana ger. This has been done to achieve a greater degree of coordination by incurring marketing with movement for providing improved quality of surveys and suggestion to the customer."

91. Elaborating the point, the Member, Railway Board stated in evidence:

"........We have recently created the Marketing and Sales Organisation giving more powers under the Operating branch. The theory is that the person who is manufacturing a good should also be the person marketing it. The officer going to the customers can talk authoritatively promising the services unlike the past when he could only say that he will go back and consult his colleagues for a decision. We have delinked both now. The exercise is to present a transportation system practical in operation and a facility of execution so that the customers can be promised something substantial so that mutual confidence is built up. It will lead into a business relationship. This objective can only function when it remains with the Operation branch. That is what we have done and uptil now the success is very good. The customers do have the more confidence over the operating wing of the Zonal Railways and they accept the offers with such more confidence then hitherto."

92. On being specifically asked at what regular intervals the functions and objectives of MSO were reviewed to make it more effective, the Chairman (Railway Board) stated in evidence:

"I would like to share with the hon. Committee that we have not only reviewed it thoroughly but corrective measures have been taken effectively in the right direction. Today we have completely changed the role of the MSO. Today the respresentative of MSO no longer consult his colleagues. He goes there and sells a certain service package. If you make the traffic available to me, I guarantee that I make that much stock available to you for loading."

93. When asked about the details of such reviews undertaken and the resultant steps taken thereof, the Ministry in a note furnished after evidence stated:—

"The functions and objectives of the Marketing and Sales Organi tion are reviewed at regular intervals to make them more effecti and responsive to customers' requirements. Keeping these in vie certain schemes/strategies are initiated, while others are given up in the light of the changing needs of the Railway customers, as also change in the product offered by Railway.

A recent outcome of such a review has been that the Chief Marketing Managers have been placed under the Operating Department so that they would be in a better position to interact effectively with Trade and Industry."

94. The Committee pointed out that Indian Railways have set an objective of achieving 370 to 400 billion tonne kilometers of freight traffic against the achievement of 242.70 billion tonne kilometers in 1990-91. Asked about the efforts having been made or are proposed to be made for achieving these targets, the Ministry of Railways (Railway Board) in a post evidence note stated as follows:—

"One of the corporate objectives of the Indian Railways is to build up capacity on the railway system to carry 370 to 400 billion net tonne kms. freight traffic by 2000 AD. The Railways have identified the following strategies to achieve the targets set for freight traffic:—

(1) Operate bigger and heavier freight trains.
(2) Introduce special purpose wagons with matching terminal facilities for transportation of bulk commodities.
(3) Enlarge the network of container depots and container freight stations to handle the increased volume of container traffic both domestic and international.

(4) Streamline and extend the Freight Forwarder Scheme to carry piecemeal wagon-load traffic.

(5) Enhance the rail transport capacity by private participation in the ownership of wagons as a means of supplementing the available resources with the Railways.

In 1991-92, 256.89 billion tonne kms. of freight traffic were carried by the Indian Railways and this improved to 258.13BT kms. in 1992-93. This is indicative of the progress being made by the Indian Railways from year to year towards achieving the target fixed for the turn of the century."

95. Earnings from freight traffic account for about 70% of the gross traffic receipts of the Indian Railways. The Marketing and Sales Organisation was set up in 1967 in recognition of the importance of marketing in boosting freight traffic in the Indian Railways. The functioning of the Organisation had engaged the attention of the Public Accounts Committee on an earlier occasion also. The Seventieth Report of the Committee (1977-78 Sixth Lok Sabha) had brought into sharp focus several deficiencies in the working of the Organisation. The Committee had emphasised the need for a proper evaluation of the functioning of the Marketing and Sales Organisation of the Railways with a view to streamlining it. The present Audit review deals with issues arising out of implementation of the earlier recommendations of the Public Accounts Committee on the subject, the progress made by the Marketing and Sales Organisation in the last 15 years in the achievement of its objectives and the working of the schemes introduced by the Organisation during the last three years. The Committees' examination of the review has revealed several disquieting aspects which are dealt with in the succeeding paragraphs.

96. The Committee note that the share of Rail Traffic in the total land freight traffic has been declining. From the available statistics it is seen that as against 89% of the total traffic in 1950-51, the share of rail movement came down to 58% in 1984-85. The Railway's share of the total land freight traffic has fallen over by 10% during 1965-85 inspite of the establishment of Marketing and Sales Organisation in 1967. The Ministry of Railways attributed the decline in rail traffic to the growth in road network, road vehicular fleet and also to the decline in the distribution of resources to Railways in the successive five years plans. The Committee regret to note that the Railways have not conducted any meaningful exercise to assess properly their capacity utilisation in terms of line, wagon, locomotive, coaches etc. with a view to finding out whether there was under utilisation of capacity. The Committee need hardly emphasise that the rail capacity created at great cost requires to be utilised optimally. It is also necessary in view of the fact that the per unit cost of fuel consumption is lower in rail than road transport. They, therefore, recommend that the Ministry of Railways should undertake a scientific survey with a view to assessing the maximum traffic that Railways can handle and where the rail transporta-

tion would be cheaper vis-a-vis road not only for evolving effective strategies for successful marketing on Indian Railways but also for achieving better utilisation of the capacities created.

97. Revenue freight traffic on the Railways has two main components, i.e. bulk commodities and other goods. Bulk commodities like coal, fertilizers, iron and steel, cement, foodgrains etc. constitute about 95% of the tonnage. The proportion of bulk commodities has been steadily increasing over the years. Bulk commodities which made up 58.2 per cent and 79.8 per cent of total originating traffic in 1950-51 and 1970-71 respectively stood at 94.6 per cent in 1990-91. From the commodity-wise break-up of the total freight earnings, the Committee find that nine items accounted for about 88% of the total freight earnings in the year 1991-92. Of these, coal ranked top in the list contributing about 40% to the total earnings. In this connection, the Committees' attention has been drawn to the fact that power plants are major defaulters for Railways in payment of freight for coal supplied to Thermal Power Houses. According to the figures made available by Audit to the Committee, freight outstanding against power plants amounted to Rs. 700 crores in May, 1993. The representatives of Ministry of Railways stated during evidence that the arrears have been accumulated due to the defaults by the Electricity Boards who are stated to have not been able to realise their dues from the consumers. The Committee consider the extent of arrears as serious and desire that the Ministry of Railways should make vigorous efforts to recover the dues. The Committee would like to be informed of the latest position in the matter.

98. The data furnished by the Ministry also indicated that Railways were incurring losses on transportation foodgrains and salt. While in case of foodgrains, the loss incurred in 1991-92 amounted to Rs. 158 crores, Salt accounted for loss of Rs. 56 crores during the same year. The losses were attributed to the concessional rates offered on those two items. It was however stated that exemption given to grains and pulses have since been withdrawn and were being charged at normal tariff items. The Committee would like to be apprised of the latest position in respect of the profits earned or losses sustained by the Railways on the transportation of those two items.

99. One of the important functions of the Marketing and Sales Organisation is to keep a watch on the loading of High Profit Yielding (HPY) commodities, for which daily quota of wagons have been fixed or guaranteed, to improve their earnings. The Public Accounts Committee in their 16th Report (Seventh Lok Sabha) had recommended that the Marketing and Sales Organisation should strive to attract high rated traffic as much as possible especially where there had been diversion to road over long and uneconomical distances. The Committee find that the quantum of traffic in high profit yielding commodities averaged 6.7% of the total traffic but constituted 15.04% of the total earnings during the five years in 1971-72 to 1975-76. In 1990-91, the HPY commodities accounted for 5.4% of weight

and only 8.09% of the earnings. The Committee regret to conclude from the above that despite its existence for over 27 years the Marketing and Sales Organisation had woefully failed in increasing the traffic in high profit yielding commodities.

100. The Committee find that there were 47 HPY commodities in 1970 which was enlarged to 78 in 1976. These were in the 'other goods' category and were carried on 'smalls' or as 'piecemeal' traffic in wagons. The list was revised in 1984 wherein Railway Board identified 35 categories of commodities as having fairly high profit yielding potential. The criteria for inclusion of these commodities in the list issued in 1984 was that only those commodities whose originating tonnage in the preceding year was 10000 tonnes or more and whose profitability was Rs. 1000 or more per wagon. As per Railway Board's instructions, the traffic in these commodities should not normally be subjected to any operating restrictions and the loading of these commodities should be watched by the operating and commercial officers at all levels. Further it was also stipulated that there should be close coordination between operating and commercial departments to ensure maximum loading of these commodities and the marketing officers of the Marketing and Sales Organisation were to make special efforts to increase loading in these commodities. The Committee are however, unhappy to note from their examination of certain illustrative cases of loading of HPY commodities in some zonal Railways that those instructions were not complied with. On Southern Railway during the period 1985-86 to 1990-91 traffic in HPY commodities registered a downward trend. There was an overall drop of 912300 tonnes with a fall in earnings of Rs. 38.63 crores in 1990-91 in comparison to the position of traffic in 1985-86. The decreasing trend continued in 1991-92 also. However, the monthly appreciation report sent to the Railway Board did not indicate and the Board did not bother to ascertain the reasons for the drop in loading these commodities or the steps proposed to be taken to recapture the traffic. On the Central Railway, there was a steep fall in the loading of two HPY items namely electrical appliances and oil seeds in the years 1990-91 and 1991-92. On the South Eastern Railway, while the target for loading HPY commodities exceeded in 1989-90 it declined in 1990-91 and 1991-92. Similarly on the Western Railway also there had been a continuous decline in the loading and earnings from HPY commodities during 1987-88 to 1991-92. However, the Marketing Organisation had not analysed the reasons for the steep fall in these cases. All these, clearly indicate that the Marketing and Sales Organisation both at Board and Zonal levels had failed in keeping a watch on the loading of high profit yielding commodities which they were expected to perform as per the assigned objectives of the Organisation and also the Board's instructions in this behalf. The Committee cannot but express their unhappiness over this.

101. The Ministry of Railways have explained that the definition and scope of high rated commodities has been changing in accordance with the

variation in the pattern of transportation of commodities in Indian Railways. According to the Ministry as a result of the directional shift to bulk carriage of goods and the reclassification of several bulk commodities enhancing their profitability, the HPY commodities falling in the category of 'other goods' in 1970-71 no longer had the same economic relevance on earning generation potential. The Ministry stated that they have enlarged their base of bulk traffic more effectively and efficiently than envisaged originally and have not restricted the scope of their marketing thrust to a limited group of HPY commodities identified in the 70s. The Committee however, would like to point out that the authorities concerned had not taken any action to revise the list of HPY commodities so as to reflect the shift in approach as claimed by the Ministry in the working of the Marketing and Sales Organisation. It was only after the Audit paragraph and the selection of the subject by the Committee that the Ministry in 1993 revised the list to 11 items. The list indicated that many of the items were of bulk in nature. Also the criteria for inclusion of the commodities in the list has also been revised. Since most of the bulk traffic comes under programmed movements, the Committee wonder whether in the changed circumstances the Marketing and Sales Organisation has now any specific role to perform in the marketing of HPY items.

102. One of the principal objectives of the marketing and sales organisation is to improve the quality of service to the customers and for that to plan and provide inter-model services combining the advantages of rail and road transport. Several services have been undertaken by Indian Railways under the aegis of Marketing and Sales Organisation with this objective. This included Freight Forwarder Scheme, Container Services, Mobile Booking Service, Quick Transit Service, Speedlink Express, Station to Station Rate etc. The Public Accounts Committee in their 70th Report had recommended that targets and goals in relation to each service undertaken under the aegis of Marketing and Sales Organisations should be laid down. They had also recommended that the measures actually taken to set up marketing and sales promotion activities with a view to expanding the various services rendered by the Marketing and Sales Organisations should also be clearly indicated stating separately how far these have proved effective. However, the performances of some of such schemes, as discussed in the succeeding paragraphs, have belied the expectations of the Committee.

103. The Committee note that Freight Forwarder Scheme was introduced in 1969 in order to cater mainly to small traffic bulked into wagon loads which tends to move away from rail to ther modes of transport. Under this scheme, approved freight forwarders collect and deliver consignments from/ to the godowns of new trains at the forwarding and destination stations in 'smalls' and offer them for transportation by rail between specified terminals in wagon loads. An attractive lump sum rate is offered by the railways to the freight forwarder. Such traffic is generally carried in conventional wagons or containers by nominated quick transit service or

express and super express goods trains. During the year 1990-91 this scheme was available over 60 routes. The loading went up from 27,785 wagons in 1989-90 to 28,653 wagons in 1990-91. The earnings also increased from Rs. 23.71 crores in 1989-90 to Rs. 29.57 crores in 1990-91. However, since then there had been a steep fall in the earnings which touched as low as Rs. 15.52 crores in 1992-93. The Committee desire that the precise reasons for this decline in revenue should be looked into and necessary corrective action taker

104. As stated earlier under the Freight Forwarder Scheme Railways offered a concessional, lumpsum rate to the freight forwarders. The Committee find that there had been a marked variation in the lumpsum rates quoted by Eastern Railway in Howrah-New Delhi route in comparison to the rates offered by Northern Railway on the same route. According to Audit the incorrect fixation of rate under the scheme in this case deprived Eastern Railway of an earning of Rs. 70 lakhs during 1989-90. Further the Eastern Railway had also not observed the norm that the concessional rate under Freight Forwarder Scheme should not fall below the current average earnings per wagon for traffic between the concerned stations, while fixing the lumpsum rate in 1989-90. Pertinently, at the relevant time, indents for wagons were also pending with the Eastern Railway (2165 per month) for transportation of other goods traffic. While disagreeing with the Audit objection the Ministry of Railways maintained that the fixation of rates by the authorities in Eastern Railway was proper. The Committee desire that in the light of the facts relating to this case and the Audit objection, the Ministry should look into the whole question of fixation of lumpsum rates with a view to ensuring that they are correctly fixed and that the interests of Railways are adequately protected.

105. Another shortcoming observed by the Committee was that under the Freight Forwarder Scheme Railways were not aware of the type of commodities loaded. In this connection the Committee find that in the Northern Railway the freight earned under this service increased from Rs. 189 lakhs in 1987-88 to Rs. 607 lakhs in 1991-92. The test check of three high profit yielding commodities namely soap, plaster of paris and soda conducted by Audit showed a steep shortfall in traffic from 36100 to 2000, 25000 to 2770 and 14900 to 5110 tonnes respectively during 1987-88 to 1991-92. This indicated the possibility that the increase in traffic was due to diversion of high profit yielding commodities to Freight Forwarder Scheme. In the light of the sample cases pointed out by Audit, the Committee recommend that the Ministry of Railways should ensure that the Railways revenues are not suffered due to diversion of high profit yielding commodities traffic to the Freight Forwarder Scheme.

106. The Committee find that despite the concessional rate extended and the existence of a specialised marketing institution M&SO under whose aegis the scheme was operated, the Freight Forwarder Scheme did not show any good result. In fact, the earnings under the scheme had gone down from Rs. 29.57 crores in 1990-91 to Rs. 15.52 crores in 1992-93. There was

a shortfall in the physical performance of the scheme in Eastern Railway. Similarly there was a declining trend of loading in Central Railway and the South Eastern Railway registered a drastic fall, both in the number of wagons loaded as also the amount of earnings. It is, therefore, abundantly clear that the M&SO had not been able to make the FFS particularly popular. The Committee trust that the Ministry of Railways will take note of this for necessary corrective action and review the working and continuance of the Freight Forwarder Scheme.

107. The Committee find that the Quick Transit Service (QTS) provides transport of goods between certain pairs of stations within assured target time for which the customer is required to pay Quick Transit Service charges in addition to the ordinary freight. In case the consignment is not made available for delivery within the stipulated time, the Quick Transit Service Charges are refunded. The Committee are distressed to note that the performance of this service was dismal in almost all the Zonal railways during the period 1990-93. In several cases, the additional service charges had to be refunded to the level of 100% indicating the extent of failure in adhering to the guaranteed delivery schedule. The Ministry of Railways have stated that with the emphasis shifting to bulk-train load, point to point movement, the scheme was no longer viable and that they were proposing to discontinue it altogether. This however, does not absolve the Railways from the failure to implement this service properly. Such non-adherance to time schedule, in fact, only confirms the widespread impression that the Indian Railways cannot guarantee any service. The Committee would like to be informed of the decision taken about the fate of Quick Transit Service (QTS).

108. Speed Link Express (SLE) trains for goods traffic were introduced in June 1984 with a guaranteed transit time and an offer of refund of 5% freight charges in addition to Quick Transit Service charges for failure to adhere to the guaranteed time. The Committee are concerned to note that the scheme did not make any breakthrough mainly due to lack of co-ordination between the commercial and operating departments and consequent failures to adhere to the guarnateed transit time. To quote a few weaknesses, on Southern Railway, instead of augmenting the Railway revenues, the scheme resulted in foregoing even the normal revenue on account of avoidable lapses. Besides, loading of SLE goods required to be made on nominated days only acted as a constraint since the traders could not obtain railway receipts immediately for raising funds and at the same time had to incur expenditure on godown rent for storing their goods till the nominated day. On Eastern Railways, SLEs were run with significant under load. The Ministry of Railways assured that after some initial fluctuations, the Scheme has now stabilised. The Committee cannot remain satisfied merely with this assurance. They desire that the Railway Board should look into the shortcomings in the scheme and take effective remedial

measures for successful marketing of the scheme and make the results available to the Committee.

109. In order to enable the Railways to have some flexibility in the matter of charging freight on commercial considerations the concept of station to station rate, at rates below the normal tariff was introduced to attract traffic and earn additional revenue. The Committees' examination found that apart from not generating adequate response, the operation of the scheme and its marketing and sales efforts left a lot to be desired. It was seen that while on the Eastern Railway, the total number of wagons loaded under the scheme declined from 20567 in 1988-89 to 6033 in 1991-92, on the Southern Railway most of the station to station rates introduced over the last five years were withdrawn either for want of traffic or on the grounds of poor patronage. The Committee desire that all the weaknesses in the operation and marketing of station to station rates scheme should be thoroughly analysed and necessary corrective action taken.

110. From the facts stated in the preceding paragraphs it is abundantly clear that despite the patronage of a specialised organisation for marketing, most of the scheme had not been successful in generating good responses from the users. While the existing schemes were struggling to sustain their customer base, there was lack of seriousness in implementing the new schemes. For instance, the Railway Board had among others proposed three schemes viz., own your wagons in 1985, Leasing out SLR space for parcel loading in 1991 and introduction of fast parcel services in 1991. However, none of these schemes proposed during the period 1985 to 1991 had been implemented. The Ministry of Railways stated that "Own your wagons" scheme launched in 1985 did not evoke any public response and therefore, a revised scheme under the same name was launched in 1992 which according to the Ministry has since picked up response from the users. As regards "Leasing out SLR space for parcel loading" the Ministry merely stated that the scheme was introduced in 1991 without indicating the date of implementation and the extent of response. The Ministry offered no explanation for the non-implementation of the third scheme. Evidently, the whole system of introduction of new schemes for implementation and the operation of existing schemes leaves much to be desired. The Committee, therefore, desire that the matter should be thoroughly looked into and necessary action taken with a view to sustaining and expanding the customer base of Railways. The Committee would like to be informed of the latest position in respect of the implementation of the various schemes and the extent of public responses.

111. The Committee find that the main reasons cited for the poor performance of the various services/schemes operated by Marketing and Sales Organisation and the marked deterioration in the loading of high profit yielding traffic were inadequate supply of wagons and the restrictions imposed on booking of traffic on account of operational difficulties. However, during evidence, the representative of Railway Board admitted

that Indian Railways had remained stagnant at a particular efficiency level since 1987-88 in wagon utilisation. The Committee are therefore of the view that apart from scope for better utilisation of wagon capacity, there is need for effective co-ordination between the operating and commercial departments of the Railways.

112. The Committee find that one of the objectives of the Marketing and Sales Organisation was to maintain close liaison with trade and industry to ascertain and solve their problems about transportation by rail. In this connection, the Committee's attention was drawn to a sample study by Audit of the booking of paper, sugar and turmeric at three different stations with reference to the materials received at the concerned station, annual rate of production of the commodity and average share of traffic offered for transport by rail. In the case of a paper mills factory located in Rajahmundry in Andhra Pradesh having an annual capacity of one lakh tonnes, the Railway's share of traffic was hardly on average 10% and had also reduced from 840 wagons in 1986-87 to 232 in 1991-92. the main reason was stated to be non-supply of wagons in time for this piecemeal traffic causing inordinate delay in traffic as well as late arrival at destination. Similarly, the Market Organisation had not been able to attract sugar traffic in respect of a sugar factory with an annual production of three to six lakh tonnes located near Nizamabad station on South Central Railway. In yet another case of turmeric traffic in the same area, the traders were stated to have been forced to divert the business to road transport due to non-availability of wagons and extra freight charges caused by movement of traffic through lengthier routes. The Ministry of Railways attributed the failure to attract traffic in the selected cases discussed above to limited production capacity by the paper mill, movement of sugar being controlled by Ministry of Food and Agriculture, imposition of traffic restrictions for diversion of turmeric transportation via lengthier routes, etc. The Committee can not accept these arguments as valid explanations for the failure of the Marketing and Sales Organisations in achieving the desired objectives. In their opinion, the Railways are not justified in shifting the responsibility for such shortcomings to other extraneous factors. The Committee therefore, recommend that the Ministry of Railways should look into the matter and see that there is close coordination between operating and commercial departments of the Railways as well as with other Government departments concerned. Constant and continuous liaison also needs to be maintained by the Marketing and Sales Organisation, both at the Railway Board as well as the Zonal Railway levels with the industry and trade so that the problems faced by them during the interactions are ironed out to the extent possible with a view to ensuring that the commodities, particularly, the high rated ones are offered to the Railways for transportation.

113. Another function of Marketing and Sales Organisation is to undertake commodity/road surveys to assess as to which of the traffic could be brought to Railways with advantage. In their 70th Report (Sixth Lok

Sabha) the Committee emphasised the need for conducting purposeful market research on scientific lines and by qualified personnel. The Audit paragraph, however, revealed that road surveys were conducted, sporadically and even when conducted, neither any analysis nor any follow up action was initiated. The Ministry of Railways have stated that market surveys are conducted by the Zonal Railways from time to time "as the need arises". The Ministry have, however, admitted that no periodicity for such surveys has been prescribed. From the information furnished by the Ministry in this regard, it was also revealed that the surveys conducted were inadequate and that the Board issued instructions to the Zonal Railways very recently only to organise commodity-wise surveys of traffic moving by road to be conducted at the check-posts around certain cities. During evidence, the representative of the Ministry admitted the inadequacies in the surveys conducted. The Committee regret to note that even after the lapse of 27 years since it was set up, the Marketing and Sales Organisation still have not evolved any proper mechanism for undertaking a meaningful market research which is a matter of concern to the Committee. The Committee therefore, desire the Railway Board to evolve a proper system of market research which will act as an effective feedback and help in formulating plans and strategies for improved services and satisfaction to customers.

114. The Committee have time and again pointed out that a serious weakness of the Indian transportation system was the lack of co-ordination between the rail and road systems in the country. In fact, there is a severe competition between the two. The Committee in this connection, recall the following observations made in paras 1.230 and 1.231 of their 70th Report (Sixth Lok Sabha):

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

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

The facts stated in the preceding paragraphs amply indicate that the observations made by the Public Accounts Committee as far back as 16 years ago are fully relevant even in the present situation. They regret to note that despite their persistent exortations an integrated transport policy is yet to be formulated. The Committee have been informed that the National Transport Committee in 1978 had in their report submitted in 1980 recommended inter alia setting up of a National Transport Commission as an appropriate mechanism for achieving continous and complete rail and road co-ordination. Unfortunately, the recommendation was not approved by the Government. The Committee further note that the Luthra Committee have recently formulated a Report on "Perspective planning for transport development" for consideration of the Planning Commission which is also understood to have dealt with the issue of integrated rail and road transport. In the light of the above facts, the Committee would like to once again reiterate that the matter may be considered at the highest level and steps taken for formulating an integrated transport policy and evolving a mechanism for effective co-ordination of rail and road transport. The Committee would like to be informed of the action taken in the matter.

115. The Committee note that while an integrated transport policy had eluded the country, the marketing and sales effort on the Indian Railways have not kept pace with the emerging role of the Indian Railways. The Ministry of Railways have expressed their optimism that with the placement of Chief Marketing Managers under the operating Department, setting up of container Corporation, introduction of schemes like leasing of SLR space, running of speed link services etc., the marketing efforts of the organisation would get a boost in the future. This may be so. But the Committee feel that in view of the fact that the Railway share of the total land freight traffic has been falling continuously there is an urgent need to have a re-look into the role and functioning of Marketing and Sales Organisation in Indian Railways not only from the point of view of profitability but also in terms of service satisfaction rendered by the premier organisation. This is particularly essential in the context of the target set by Indian Railways for

achieving 370 to 400 billion net tonne kilometers of freight traffic by 2000 A.D. against the present performance of 258 billion net tonne kilmeters in 1992-93. They, therefore, recommend that the Ministry of Railways (Railway Board) should look into the matter in-depth and take necessary action. The Committee would like to be informed of the further action taken in the matter.

New Delhi;
April 13, 1994
Chaitra 23, 1916 (Saka)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

APPENDIX I

Audit Paragraph 2.1 of the Report of the C & AG of India for the year ended 31 March, 1992 (No.10 of 1993) Union Government (Railways) relating to Marketing by Indian Railways.

1. Introduction

1.1 Indian Railways occupy a preeminent position in the transport sector of the Indian economy, having carried 318.40 million tonnes of freight traffic and 3,857.6 million passengers in 1990-91. Indian Railways are poised for further growth with the Corporate objective of achieving, among other things, 370 to 400 billion tonne Kms. of freight traffic (242.70 in 1990-91), 310 to 330 billion passenger Kms. of non-suburban traffic (236 in 1990-91) and 105-110 billion passengers Kms. of suburban traffic (59.6 in 1990-91) by the end of the century. Indian Railways provide a service and in any service industry it is the customer satisfaction that should be foremost in the minds of the providers of the service. Apart from providing a reliable service at a reasonable cost it is necessary to instil a marketing orientation in order to sustain and expand the customer base. With 70 per cent of the Gross Traffic Receipts accruing from freight traffic, the importance of marketing effort to the Indian Railway needs no emphasis.

2. Marketing and Sales Organisation (M&SO)

2.1 Recognising the importance of marketing in boosting freight traffic, the Marketing and Sales Organisation was set up in 1967 in the Railway Board and in the Zonal Railways.

2.2 At the level of the Railway Board the Executive Director Traffic Commercial (Marketing) is responsible for Marketing and Sales and on the Zonal Railways, the Chief Marketing Superintendents (CMS) manage the marketing activities.

2.3. The objectives and functions of the Marketing and Sales Organisation are:-

(a) to maintain close liaison with manufacturers and trading interests and to ascertain and solve their problems in connection with expeditious and safe transportation of their goods by rail by improving the quality of service;

(b) to plan and provide inter-model services combining the advantages of rail and road transport like freight forwarder service, container service and quick transit service;

(c) to keep a watch on the loading of high profit yielding commodities for which daily quota of wagons have been fixed or guaranteed;

(d) to take up measures to arrest the effect of rail-road competition and to have coordination between rail and road transport;

(e) to undertake marketing research, prospecting and development; and

(f) to undertake commodity / road surveys to ascertain commodity-wise pattern of traffic moving by road and the points between which this traffic is moved with a view to assessing as to which of this traffic could be brought to railways with advantage.

2.4 The Organisation has also been entrusted with the following functions:-

(a) formulation of earnings budget and monitoring the trend of earnings including those from the Uneconomic branch lines;

(b) commercial planning and development;

(c) study of the economic development of new lines and projects; and

(d) to initiate measures to retain traffic on the Railways by introduction of special rates.

3. Scope

The working of Marketing and Sales Organisation was reviewed in audit and included in Para 8 (Chapter II) of the Audit Report for the year 1975-76. The present review covers issues arising out of implementation of the recommendations of the Public Accounts Committee on the audit para cited, the progress made by the Marketing and Sales Organisation in the last 15 years in the achievement of its objectives and a detailed study of the working of schemes introduced by the Marketing and Sales Organisation during the last 3 years.

4. Highlights

The share of Rail Traffic in the total land freight traffic has been declining. The share of bulk commodities has been steadily increasing while that of High Profit Yielding (HPY) commodities has been declining over the years. Despite this changed scenario, the objectives and functions of the Marketing and Sales Organisation have been geared towards the HPY commodities and remained stagnant for 25 years.

There is an urgent need to redefine the objectives and role of Marketing and Sales Organisation taking into account the fact that the Railways share of the total land freight traffic has fallen by over 10% after the establishment of Marketing and Sales Organisation in 1967 and the Railway's have recognised their role as carrier of bulk commodities.

HPY commodities accounted for 6.7% of the traffic but constituted 15.04% of the earnings during 1971-72 to 1975-76. This has come down to 5.4% and 8.09% respectively in 1990-91 questioning the very definition of these commodities as HPY.

On Southern Railway, the traffic in HPY commodities fell by 9.12 lakh tonnes with a fall in earnings of Rs. 38.63 crores in 1990-91 compared to 1985-86.

The earnings under Freight Forwarder Scheme (FFS) increased from Rs. 23.71 crores in 1989-90 to Rs. 29.57 crores in 1990-91. The earnings under the scheme, however, was less than 0.5% of the earnings from goods traffic.

The Railways are not aware of the type of commodities loaded under the FFs. It is, therefore, possible that HPY commodities are also loaded under this scheme. To safequard Railways' interest it may be desirable to exclude HPY commodities from the purview of FFS.

Incorrect fixation of freight under the FFS deprived Eastern Railway of an earning of Rs. 70 lakhs during 1989-90.

Even though the traffic offered under Quick Transit Service Scheme was not significant, the extent of refund of QTS surcharge for not delivering consignments within the guaranteed time shows that the Railways have not been able to provide a reliable service.

The Speed Link Express Scheme did not achieve any break through mainly due to lack of co-ordination between the Commercial and Operating Departments and consequent failures to adhere to the guaranted transit time.

Eastern Railway lost Rs. 2.15 crores per annum as they failed to quote competitive station to station rates in respect of finished steel products.

Inetgrated transport policy as desired by the Public Accounts Committee is yet to materialise.

5. *Freight traffic on Indian Railways*

Indian Railways play a crucial role in the country's economic development by performing the dual role of a public utility service and a commercial undertaking simultaneously. This dual role imposes on the Railways, the obligation to meet the transport requirements of all sections of the community in conformity with socio economic objectives, generate sufficient revenue to meet the working expenses and libilities and to provide additional funds for renewal of the assets, in addition to future expansion and development of the existing infrastructure.

Being a public utility undertaking Railways do not have the freedom to strike a balance between the two conflicting objectives of earning substantial revenues and meeting social responsibilities. They are not able to adjust their freight and fare rates corresponding to increases in the prices of various inputs used by them. They carry certain essential commodities, as also passenger traffic, at rates which do not even cover the cost of movement.

For discharging these social obligations Indian Railways have to incur certain 'social costs' which is assessed as Rs. 2202 crores for the year 1990-91

(Rs. 406 crores on freight traffic and Rs. 1796 crores on coaching services). The performance of Indian Railways in the carriage of freight traffic, *vis-a-vis* the total land freight traffic presents an interesting picture as shown in table below:—

LAND FREIGHT TRAFFIC (BILLION TKMs)

Year	Total Traffic	Rail Movement	Percentage	Road Movement	Percentage
1950-51	49.6	44.1	89	5.5	11
1955-56	68.5	59.6	87	8.9	13
1960-61	122.7	87.7	71	35.0	29
1965-66	171.9	116.9	68	55.0	32
1970-71	193.4	127.4	66	66.9	34
1975-76	221.3	148.2	67	73.0	33
1980-81	256.5	158.5	62	98.0	38
1984-85	313.5	182.2	58	131.1	42
1990-91	NA	242.7	—	NA	—

The share of Rail Traffic in the total land freight traffic has been declining.

The growth of freight traffic from 1950-51 in terms of tonnage lead and net tonne Kms. is shown in the table below:—

Year	Tonnes originating (in millions)	Index	Lead (in Kms.)	Index	Net tonne Kms. (in billions)	Index
1950-51	93.0	100	470	100	44.117	100
1960-61	156.2	168	561	119	87.680	198
1970-71	196.5	211	648	138	127.358	289
1980-81	220.0	236	720	153	158.474	359
1990-91	341.4	367	741	158	242.698	550

Revenue freight traffic on the Railways has two main components i.e. bulk commodities and other goods. Bulk commodities viz. coal fertilizers, iron and steel, iron ore and other ores, cement, mineral oil, foodgrains, limestone and dolomite and stones other than marble, constitute about 95 per cent of the tonnage. Proportion of bulk commodities has been steadily increasing over the years. Bulk commodities which made up 58.2 per cent and 79.8 per cent of total originating traffic in 1950-51 and 1970-71 respectively stood at 94.6 per cent in 1990-91.

'Other goods' traffic consisting of all other commodities, accounts for the balance 5 per cent of the traffic. The volume of 'other goods' traffic has been steadily declining from 41.8 per cent and 20.2 per cent of total traffic in 1950-51 and 1970-71 to 5.4 per cent in 1990-91.

Thus, the Railways are moving towards the bulk commodity segment of the freight market. Despite this movement, the activities of the Marketing and Sales Organisation have been geared more towards the 'other goods' segment than on bulk goods. There is an urgent need to redefine the objectives of the Marketing and Sales Organisation taking into account the fact that the Railway's share of total land freight traffic has fallen by over 10 per cent after the establishment of the Marketing and Sales Organisation 1967 and the Railway's have recognised their role as bulk carriers of goods. The objectives and functions of the Marketing and Sales Organisation have remained stagnant for 25 years despite vast changes in the freight traffic scenario.

6. Expenditure on Marketing and Sales Organisation

The staff strength and expenditure incurred on the Marketing and Sales Organisation during 1975-76 and 1991-92 was as under:—

(Lakhs of Rupees)

Railways	1975-76		1991-92	
	No.	Rs.	No.	Rs.
Central	20	3.92	21	10.10
Eastern	24	3.71	27	12.50
Northern	54	7.10	57	22.00
North Eastern	11	0.84	15	7.18
Northeast Frontier	01	0.43	01	0.77
Southern	53	5.43	45	17.00
South Central	19	3.59	2	1.95 (others are not exclusively for MSO)
South Eastern	46	5.44	34	15.25
Western	42	5.33	27	13.03
Railway Board	N.A.	2.06	17	N.A.
Total:		37.85	246	

The quantum of expenditure on Marketing and Sales efforts coupled with the fact that the thrust of Marketing and Sales Organisation has been on the 5 per cent 'other goods' segment and that no new schemes/services were introduced in the last decade is an indicator of the lack of importance attached to Marketing efforts on the Indian Railways. Most of the bulk traffic comes under programmed movements.

7. Loading of High Profit Yielding (HPY) commodities

7.1 Public Accounts Committee in their 16th Report (1980-81), 7th Lok Sabha, recommended that the Marketing and Sales Organisation should strive to attract, as much as possible, the high rated traffic especially where there has been diversion to road over long and uneconomical distances. There were 47 High Profit Yielding (HPY) commodities in 1970 and 80 from Ist October 1975. The quantum of traffic in HPY commodities averaged 6.7 per cent of the total traffic but constituted 15.04 per cent of the total earnings during the five years 1971-72 to 1975-76. In 1990-91, the HPY commodities accounted for 5.4 per cent of weight and only 8.09 per cent of the earnings eroding the profitability and the very definition of the commodities as HPY. The Railways have not succeeded in their efforts to increase the traffic in HPY commodities.

7.2 In March 1984, the Railway Board identified 35 categories of commodities (list in Annexure I) as having fairly high profit yielding potential. The list remains unchanged (1992). As per Railway Board's instructions, the traffic in these commodities should not normally be subjected to any operating restrictions and the loading of these commodities should be watched by the operating and commercial officers at all levels. Further, it was also stipulated that there should be close co-ordination between operating and commercial departments to ensure maximum loading of these commodities and the marketing officers of the marketing and sales organisation were to make special efforts to increase loading in these commodities.

The scheme was modified in December 1985 by exempting from operating restrictions only some selected high profit yielding commodities offered in wagon load from certain important stations. Certain illustrative cases of loading of HPY commodities are given below:—

Western Railway

The data on HPY traffic during 1987-88 to 1991-92 is given below:—

Year	Total revenue earning traffic		Target (000 tonnes)	Quantum of HPY commodities		Percentage of	
	(000 tonnes)	Earning (Rs. in crores)		(000 tonnes crores)	Earning (Rs. in)	Col. 5 to Col. 2	Col. 6 to Col. 3
1987-88	24573	908.76	2090	1613	66.64	6.56	7.33
1988-89	25627	944.78	NA	1316	56.59	5.13	5.98
1989-90	26713	1140.95	1400	1374	65.06	5.14	5.70
1990-91	26661	1241.70	1445	1100	62.71	4.16	5.05
1991-92 (Upto Dec. 1991)	27168	992.17	1220	879	34.48	2.55	3.47

There has been a decline in the loading and earnings from HPY commodities during the period.

Southern Railway

On Southern Railway, during the period 1985-86 to 1990-91 traffic in HPY commodities, except rubber, registered a downward trend. A comparison of the position of traffic in 1985-86 with that in 1990-91 revealed an overall drop of 9,12,300 tonnes with a fall in earnings of Rs. 38.63 crores. The decreasing trend continued in 1991-92 also.

The monthly appreciation reports sent to the Railway Board do not indicate the reasons for the drop in loading these commodities or the steps proposed to be taken to recapture the traffic. Only in the case of rubber, where there has been an increasing trend, the organisation has claimed it to be due to its marketing activities. It is pertinent to point out that rubber is moving at a concessional rate (10 per cent to 26 per cent less than the normal rates.)

Central Railway

Details of loading of 2 HPY items are shown below:—

LOADING (Tonnes)

	1989-90	1990-91	1991-92
Electrical appliances	76000	53000	41000
Oil seeds	26000	15000	11000

The Marketing Organisation had not analysed the reasons for the steep fall. The continued declining trend of loading of high profit yielding commodities would indicate that no effective effort was undertaken by the Marketing Organisation.

South Eastern Railway

On South Eastern Railway target for loading HPY commodities was exceeded in 1989-90 but declined in 1990-91 and 1991-92 as may be seen from the table below:—

(figures in 000 tonnes)

Year	Target	Carried
1989-90	1400	1547.42
1990-91	1630	1260.73
1991-92	1390	1168.76

The main reasons for the downward trend of High Profit Yielding traffic have been stated below:—

—Short supplies of wagons

—Restriction on piecemeal loadings

—Distance restriction

—Quality of service

Thus, the objective of Marketing and Sales Organisation and that of the Railway as a bulk carrier are not in consonance and there is continued decline of loading in HPY commodities.

The Public Accounts Committee recommended that targets and goals in relation to each service undertaken under the aegis of the Marketing and

Sales Organisation should be laid down. Similarly, the measures actually taken to step up marketing and sales promotion activities with a view to expending the various services rendered by the Marketing and Sales Organisation should also be clearly indicated stating separately how far these have proved effective.

The performance of the various services/schemes introduced by Marketing and Sales Organisation has been analysed below:—

8. Freight Forwarder Scheme (Goods)

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

In 1974-75 and 1975-76 the scheme was available in 67 routes and the number of wagons loaded was 12,872 and 12,491 with an earnings of Rs. 387 lakhs and Rs. 418 lakhs respectively.

During the year 1990-91, this scheme was available over 60 routes. The loading went up from 27,785 wagons in 1989-90 to 28,653 wagons in 1990-91 indicating a growth of about 3 per cent. The earnings also increased from Rs. 23.71 crores in 1989-90 to Rs. 29.57 crores in 1990-91. The earnings under Freight Forwarder Scheme (FFS) was less than 0.5 per cent of the earnings from goods traffic.

The increase was essentially due to the concessional rate offered to the freight forwarder irrespective of the classification of the commodity.

Under the F.F. Scheme the Railways are not aware of the type of commodities loaded. It is, therefore, possible that HPY commodities are also loaded under this scheme. To safeguard railway's interest it may be desirable to exclude HPY commodities from the purview of F.F.S. yet another drawback in the freight forwarder scheme is non-prescription of a forwarding note indicating the packing conditions etc. and as such any claim arising out of consignments loaded under freight forwarder scheme could not be disputed on grounds of non-compliance of packing condition etc.

Eastern Railway

The F.F.S. was introduced on this Railway in the year 1972 between Howrah-New Delhi and Howrah-Kanpur.

Performance of the scheme during the past 6 years is given below:—

Year	Loading particulars			
	Target	Actual	Shortfall	Earnings (Rs. in Lakhs)
1986-87	6750	5512	1238	377.05
1987-88	6560	6331	229	437.08
1988-89	6900	5391	1509	385.95
1989-90	5650	8395	(+)2745	621.44
1990-91	No target	7979		---697.81
1991-92	9580	8020	1560	828.20

In quoting lump sum rates, the Railway offered 4 slabs with rebate of 3 per cent, 6 per cent and 8 per cent, depending on the number of wagons loaded, over basic rate and the difference between first and fourth leg upto September 1990 was more than Rs. 600/-per wagon in Howrah-New Delhi route and Rs. 400-in Howrah-Kanpur route. Such differences were too high as compared to Northern Railway's offer of rebate of Rs. 50 for the same route in each of the 2nd and 3rd legs.

Further, the concessional rate under Freight Forwarder Scheme was not to fall below the current average earnings per wagon for traffic between the concerned stations. This norm was not observed while fixing the lump sum rate for Freight Forwarder in 1989-90. The average earning per wagon at the beginning of 1989-90 was Rs. 8318.04 and Rs. 7089.44 for new Delhi and Kanpur respectively. The rates for first and last slabs under Freight Forwarder for New Delhi were Rs. 7965.00 and Rs. 7328.00. while for Kanpur those were Rs. 6106.00 and Rs. 5618.00 per wagon from May 1989 to March 1990. As a result of fixation of freight forwarder rate on the lower side, Railway Administration was deprived of an earning for Rs. 70 lakhs (approximate) during 1989-90. Whereas during 1989-90 the rate under Freight Forwarder Scheme was below the average earning of a wagon, there was also indents for wagon pending with Eastern Railway (2165 per month) for transportation of other goods traffic.

Northern-Railway

The details of operation of this scheme during the years 1987-88 to 1991-92 are as under:—

Year	No. of pairs of stations	No. of wagons Target	No. of wagons Loaded	Freight earned (Rs. in lakhs)
1987-88	14	3090	2726	189.28
1988-89	13	3000	2562	191.45
1989-90	19	2700	3441	283.38
1990-91	15	3615	4165	394.79
1991-92	18	5000	5341	606.57

It is possible that the increase in traffic under Freight Forwarder Scheme is due to diversion from HPY as mentioned in Para 7.1

A test check of three HPY commodities i.e. soap, plaster of paris and soda showed a steep shortall in traffic from 36,900 to 2,000, 25,000 to 2,770 and 14,900 to 5,110 tonnes respectively during 1987-88 to 1991-92.

Central Railway

On the Central Railway there was a declining trend of loading under Freight Forwarder Scheme as shown below:—

Sl. No.	Name of the service. Wadi Bandar to	Date of introduction	1988-89		1989-90		1990-91		1991-92 (upto December 1991)	
			W	E	W	E	W	E	W	E
1.	Shalimar	27.06.69	2619	291.46	2144	285.27	2473	347.06	1270	190.87
2.	Salt Cotaurs	30.03.72	869	53.36	535	35.97	399	27.88	220	16.20
3.	Kanpur	07.08.72	81	5.18	39	2.81	02	0.15	-	-
4.	New Delhi	23.11.90	-	-	-	-	209	21.94	339	35.51

W=number of wagons loaded
E=Earning in lakhs of Rupees

The reasons for the decline in the loading are not on record.

South Eastern Railway

The number of wagons loaded, 5328 in 1988-89, has shown a drastic fall to 671 in 1991-92. The freight received fell from Rs. 4.07 crores to Rs. 1.02 crores. The decline was attributed mainly to:—

(i) Frequent upward revision of rates.

(ii) Acute shortage of availability of 4-wheeler piecemeal covered wagons.

(iii) Problems in jute industry in West Bengal.

9. Mobile Booking Service (MBS)

This service was in operation in Southern, South Eastern and Eastern Railways. Under this scheme a door-to door- service is provided with the road portion of the journey being covered by transport contractors.

A review of the operation of this scheme revealed that the earnings in all the 3 Railways together was only Rs. 4.7 crores and the quantity of goods moved was 77,678 MT during 1987-88. This also declined to 20,400 tonne and Rs. 2.91 crores (2 Railways) in 1991-92. The receipt from the scheme is negligible in comparison with even the total quantum of traffic moved under other goods.

On Southern Railway, at Salt Cotaurs the booking declined from 39700 tonnes in 1987-88 to 4000 tonnes in 1991-92 (up to January 1992). The earnings fell from Rs. 197.47 lakhs in 1987-88 to Rs. 28.21 lakhs in 1991-92 (upto January 1992).

The earnings under Mobile booking Service of Rs. 1.19 crore and Rs. 0.81 crore in 1987-88 and 1990-91 respectively are very insignificant when compared to South Eastern Railway's earnings of Rs. 1850 crores.

Easter Railway operates a street collection and delivery service through the agency of contractor. The volume of traffic moved was 16300 tonnes (Rs. 1.23 crore) in 1987-88 declining to 13900 tonnes (Rs. 1.35 crores) in 1991-92.

It was seen that one Agency which was entrusted with the work initially for a period of 3 years has been continuing for the last 13 years.

There was no incentive in the scheme since the traffic was booked at normal tariff rates and the road portion was also charged. The Freight Forwarder Scheme also with a door-to-door service and a common wagon load rate was more attractive. The need for the existence of this scheme, side by side with F.F. scheme, is itself indoubt.

10 Quick Transit Service (QTS)

Quick Transit Service (originally introduced in April 1956) is available between certain pairs of stations both in wagon loads and smalls. Consignments booked under this scheme are to be made available for delivery at the destination station within the time limit notified by the Railway Administration for each pair of stations. For delivery within the time limit, Quick Transit Service charge, in addition to the freight charges, is collected. In case the consignment is not made available for delivery within the stipulated time, the Quick Transit Service charges are refunded.

The percentage of consignments delivered with the guaranteed time limit, to the total consignments and the percentage of QTS charge refunded to the total QTS charge collected are two indicators of the performance of this service. This performance has a direct impact on the Marketing efforts as reliability of delivery is bound to bring in more traffic.

An analysis of the performance of Quick Transit Service revealed that the percentage of QTS charge refunded which was 25 per cent in 1985-86 increased to 79 per cent and remained at that level during 1989-90 to 1991-92 (Western Railway). The Quick Transit Service surcharge collected declined from Rs. 11.15 lakhs in 1989-90 to Rs. 0.72 lakh in 1991-92. A part of the decline can be attributed to the closure of Carnac Bridge to goods and parcel traffic, but the fact that the Railway could not adhere to the guaranteed delivery time.

On the Southern Railway 60.29 per cent and 59.56 per cent of consignments were delivered late in 1990-91 and 1991-92 resulting in a refund of Rs. 45.04 lakhs and Rs. 24.50 lakhs respectively.

The performance was better on South Central Railway where 4.8 to 51.5 per cent of wagon load consignments were received late between 1985-86 and 1990-91 whereas during the same period 79.6 to 100 per cent of 'smalls' consignments were delayed.

On Central Railway also 49 per cent of Quick Transit Service surcharge was refunded in 1990-91 for failure to adhere to the guaranteed delivery time.

On Northern Railway, a test check at New Delhi goods shed revealed, that 90 per cent and 43 per cent of the inward traffic from Howrah could not be delivered within the guaranteed time resulting in refund of surcharge of Rs. 22.57 lakhs and Rs. 21.39 lakhs in 1989-90 and 1990-91 respectively.

On South Eastern Railway, it was seen that the percentage of traffic delivered within the time limit was 32 per cent, 30 per cent and 35 per cent in 1989-90, 1990-91 and 1991-92 respectively.

Even though the traffic offered under this scheme was not significant it is pertinent to note that Railways have not been able to provide the reliable service in a majority of cases.

11. Speed Link Express (SLE)

Speed Link Express (SLE) trains for goods traffic were introduced in June 1984 with a guaranteed transit time and an offer of refund of 5 per cent freight charges in addition to Quick Transit Service charges for failure to adhere to the guaranteed time. The scheme did not make any break through mainly due to lack of coordination between the Commercial and operating departments and consequent failures to adhere to the guaranteed transit time. The scheme of refunding 5 per cent freight traffic for late delivery has been withdrawn in 1992.

Performance of the Railways under the scheme is discussed below:—

Southern Railway

On Southern Railway during the period from September 1989 to December 1990, refund of 5 per cent freight to the extent of Rs. 19.23 lakhs was made at two major terminals in respect of inward SLE traffic. Instead of augmenting the Railway Revenues, the scheme resulted in foregoing even the normal revenue on account of avoidable lapses. Besides, loading of SLEs goods required to be made on nominated days only acted as a constraint since the traders could not obtain Railway Receipts immediately for raising funds and at the same time had to incur expenditure on godown rent for storing their goods till the nominated day.

Eastern Railway

Speed Link Express goods trains (SLE) were run by Eastern Railway between Howrah and New Delhi and back (triweekly) on a regular basis from 3rd September, 1989, with a maximum transit time of 4 days.

Performance of SLE/Super Goods Express since 1989 is given below:—

Year	Outward Traffic		Refund for inward traffic	
	No. of wagons booked	Freight (Rs. in lakhs)	(Rs. Lakhs) Freight	QTS
1989	5235	3,66.23	1.11	1.04
1990	10584	NA	0.38	1.30
1991	10584	10,27.40	0.60	3.75
1992	1945	2,15.00	—	1.76

It has not been possible to evaluate the performance of SLE as details of refund on outward traffic and the total amount collected on inward traffic are not available in Eastern Railway.

Underload running of SLEs in Down direction

As Speed Link Express trains run on nominated days as per time table it is essential to get a full trailing load by that time so that under loaded trains are not run. Scrutiny of records revealed that average load (in terms of 4-wheelers) from New Delhi to Howrah during January 1990 to July 1990 was mostly below 40 wagons whereas the average number of loaded wagons per goods train during 1989-90 (excluding departmental trains) was 60 wagons (4-wheelers) in Eastern Railway and 53 in Northern Railways. Thus, SLEs were run with significant underloads.

The delay in obtaining a substantial load also results in late start leading to difficulties in adhering to guaranteed transit time. Between August 1991 and March 1992, a number of wagons suffered delays at the starting point, ranging from 3 to 19 days, when the transit time from Howrah to New Delhi itself was 4 days.

12. Station to Station Rate

In order to enable the Railways to have some flexibility in the matter of charging freight on commercial considerations the concept of station to station rate, at rates below the normal tariff was introduced to attract traffic and earn additional revenue. Extent orders provide that (i) no reduction was permitted in the rates for commodities chargeable at class 80 and below in train loads and wagon loads, (ii) for train load/wagon load traffic no reduction is permitted in respect of movement for less than 150 Kms. etc. Two cases of lack of initiative in getting traffic under station to station rates are given below:—

1. M/s. Bihar Alloy Steel Ltd. (BASL) requested (December 1990) for station to station rates for carrying their finished steel products to kalampoli/Bombay and Jamshedpur, Tatanagar. The operational feasibility of moving a mini rake of 20 wagons in each direction was found successful (November 1990 and February 1991).

When the proposal was under consideration it was also seen that (i) inward wagons (in rake) to M/s. BASL carrying scrap mainly from Paradip and Vishakhapatnam might be utilised for outward despatch of finished products to the above mentioned two points, (ii) facilities for unloading a full rake and loading 20 BOX wagons at a time was available, (iii) the party had their own pilot engine to place the empty wagons at the loading point/line and the firm owned two 50 Tonnes overhead cranes to perform the required loading work. Thus M/s. BASL was in a position to load a full rake within the permissible time. (iv) on an average 2063 MT and 1288 MT finished produts were being moved per month by road to Jamshedpur and Bombay respectively.

The cost of haulage was Rs. 338.70 and Rs. 69.10 per MT for the year 1991-92 from Patratu to Kalamboli (Bombay) and to Tatanagar (Jamshedpur) respectively. Chief Marketing Superintendent, Eastern Railway therefore, opined in August 1991 that Railway could consider reduction in rates by 10 per cent to 15 per cent on experimental basis to capture the traffic as the Rail freight was Rs. 205.50 per MT to Jamshedpur and Rs. 1298.80 per MT to Bombay against the road rates of Rs. 151 and Rs. 883 per MT respectively. No decision has been taken in the matter so far (October 1992). The railway could have earned Rs. 2.15 crores in a year on this traffic even at the road rates.

2. Booking of clinker by rail from Dalla to Chunar during March 1989 was 42425.6 tonnes which was 82 per cent of the total traffic in Clinkar in this section. Consequent on revision of freight charges with effect from 1st April 1989 the freight went up from Rs. 46.40 per MT to Rs. 54.90 per MT (chargeable distance of 110 Kms.) which was higher than the freight by road (Rs. 49.95 per MT). A request for reduction in freight charges was

made to the Railway in April 1989. As the distance between the two stations was less than 150 Kms. approval of Railway Board was required. The Railway Board asked the Railway to come up with a proposal but no such proposal was sent.

This resulted in decline in booking of this important traffic by rail during the last three years as shown below:—

Year	Total number of wagons loaded (in terms of 4 wheelers)
1988-89	20,567.0
1989-90	17,250.5
1990-91	15,041.5
1991-92	6,033.5

On the Southern Railway most of the station to station rates introduced over the last 5 years were withdrawn either for want of traffic or on the grounds of poor patronage. Station to station rates have also not been an effective marketing and sales effort.

13. Liaison with Trade and Industry

One of the objectives of the Marketing and Sales Organisation was to maintain close liaison with trade and industry to ascertain and solve their problems on transportation by rail. Although meetings with trade association and chambers of commerce are stated to have been held, it is pertinent to note, as pointed out in the earlier paras, the M & S. O. has not been successful in achieving the above objective as loading in HPY commodities is declining and the popularity of services like Freight Forwarder Scheme, Mobile Booking Service, Station to Station rates, Quick Transit Service etc. has also been declining. The absence of market research and the conflicting objectives of Commercial and Operating Departments (the former concentrating mainly of HPY and non bulk movement and the latter in bulk movement of Train load and wagon loads) has come in the way of achieving the objectives of Marketing and Sales Organisation.

A few cases of absence of Liaison and conflict are given below as illustrations:—

South Central Railway

A sample study by audit of the booking of paper, sugar and turmeric at three different stations with reference to the raw materials received at the concerned station, annual rate of production of the commodity and average share of traffic offered for transport by rail revealed the following:—

Andhra Pradesh Mills—Rajahmundry

The Andhra Pradesh Mills located at Rajahmundry has annual production capacity of one lakh tonnes. The Paper Mill had booked the following loads during the periods 1986-87 to 1991-92 in terms of four-wheelers:—

Year	Number of wagons in 4-wheelers	Quantity (in tonnes @ 20 tonne per 4 wheelers)
1986-87	840	16800
1987-88	418	8360
1988-89	413	8260
1989-90	627	12540
1990-91	247	4940
1991-92	232	4640

The Railway's share of traffic is hardly 10 per cent (on an average) and has also reduced from 840 wagons in 1986-87 to 232 in 1991-92. The main reason is said to be non-supply of wagons in time for this piecemeal traffic causing inordinate delay in transit as well as late arrival at destination.

Nizam Sugar Factory-Shakarnagar

A sugar factory with an annual production of 3 to 6 lakh tonnes is located at Shakarnagar near Nizamabad station on South Central Railway. The actual quantity offered to Railways for tansport is very meagre and ranged between 455 tonnes to 4801 tonnes per annum during the period 1979-80 to 1988-89. The Marketing Organisation of this Railway has not been able to attract the sugar traffic.

Turmeric traffic

Turmeric is a high rated commodity regularly booked from Nizamabad station. The traffic in turmeric at the station for the period 1984-85 to 1991-92 is as follows:—

Year	Number of wagons in 4-wheelers	Weight in tonnes
1984-85	362	5,964
1985-86	285	4,152
1986-87	291	3,661
1987-88	361	5,363
1988-89	509	7,349
1989-90	501	7,173
1990-91	874	12,584
1991-92	412	5,899

About 1000 wagons are needed for turmeric traffic during the first half of a year as the turmeric season begins in january and lasts till May each year. The trade complained in March 1992 that due to non supply of full quota of wagons they were forced to divert the business to road transport. The trade complained that the Railway is routing/diverting the traffic via Moula-Ali instead of via Khandwa forcing the traders to pay an extra freight of Rs. 110/- a tonne and also highlighted the abnormal delays that occurred in the transhipment point at Moula-Ali. The restrictions imposed by the Railway Board for movement of the traffic via Khandwa necessitated carriage of the traffic via Moula-Ali Transhipment. Thus due to the marketing and operating requirements not being in consonance there was diversion of this traffic.

14. Road Surveys

One of the functions of Marketing and Sales Organisation was to undertake commodity/road surveys to assess which of the traffic could be brought to Railways with advantage.

Public Accounts Committee in their report (1980-81) had also observed that to serve the purpose of Marketing Research, Surveys should be conducted on scientific lines and by qualified personnel. It was, however, seen in audit that road surveys were conducted sporadically and even when conducted there was no analysis or follow up action. The position on various railways is given below:—

Industrial Surveys

Sl. No.	Railway	Type of Survey	Number	Period	Action taken
1.	Western	Industrial	1	1977	Not known
2.	Western	Road	8	1978-1986	Statistics of goods moving by road collected
3.	Northern	Check Post	2	1989-91	No analysis or action
4.	North Eastern	Road	1	1986	-Do-
5.	Central	Road	2	1986	-Do-
6.	Southern	Road	NA	NA	-Do-
7.	South Eastern	Road	1	1989	-Do-

15. Conclusion

The following new schemes were proposed by the Railway Board for implementation over Indian Railways amongst other schemes:—

(i) Own your wagons in 1985.

(ii) Leasing out SLR space for parcel loading in 1991.

(iii) Introduction of Fast parcel services in 1991.

None of the above schemes, though proposed by the Railway board during the period from 1985 to 1991, has been implemented on the Railways so far (October 1992). The Public Accounts Committee recommended in paras 1.230 and 1.231 of their 70th Report (6th Lok Sabha) as below:—

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

The Public Accounts Committee have been repeatedly emphasising the need for an effective rail-road coordination which can be brought about only if there is a national integrated transport policy."

The integrated transport policy is yet to materialise and in the meanwhile the Marketing and Sales effort on the Indian Railways has remained stagnant and not kept pace witht he emerging role of the Indian Railways.

The Railway Board agreed during discussion (January 1993) that the role of marketing was undergoing a vast change. It was stated that in view of shortage of wagons the Railways were discouraging piecemeal traffic and even wagon load traffic and were looking forward to trainload traffic as far as possible. It was stated that the role of marketing organisation would be determined in future by the availability of wagons which was a critical factor.

APPENDIX II

Conclusions and Recommendations

Sl. No.	Para No.	Ministry/ Department Concerned	Conclusion/Recommendation
1	2	3	4
1	95	Ministry of Railways (Railway Board)	Earnings from freight traffic account for about 70% of the gross traffic receipts of the Indian Railways. The Marketing and Sales Organisation was set up in 1967 in recognition of the importance of marketing in boosting freight traffic in the Indian Railways. The functioning of the Organisation had engaged the attention of the Public Accounts Committee on an earlier occasion also. The Seventieth Report of the Committee (1977-78 Sixth Lok Sabha) had brought into sharp focus several deficiencies in the working of the organisation. The Committee had emphasised the need for a proper evaluation of the functioning of the Marketing and Sales Organisation of the Railways with a view to streamlining it. The present Audit review deals with issues arising out of implementation of the earlier recommendations of the Public Accounts Committee on the subject, the progress made by the Marketing and Sales Organisation in the last 15 years in the achievement of its objectives and the working of the schemes introduced by the Organisation during the last three years. The Committees' examination of the review has revealed several disquieting aspects which are dealt with in the succeeding paragraphs.
2	96	-do-	The Committee note that the share of Rail Traffic in the total land freight traffic has been declining. From the available statistics it is seen that as against 89% of the total traffic in

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			1950-51, the share of rail movement came down to 58% in 1984-85. The Railway's share of the total land freight traffic has fallen over by 10% during 1965-85 inspite of the establishment of Marketing and Sales Organisation in 1967. The Ministry of Railways attributed the decline in rail traffic to the growth in road network, road vehicular fleet and also to the decline in the distribution of resources to Railways in the successive five years plans. The Committee regret to note that the Railways have not conducted any meaningful exercise to assess properly their capacity utilisation in terms of line, wagon, locomotive, coaches etc. with a view to finding out whether there was under utilisation of capacity. The Committee need hardly emphasise that the rail capacity created at great cost requires to be utilised optimally. It is also necessary in view of the fact that the per unit cost of fuel consumption is lower in rail than road transport. They therefore, recommend that the Ministry of Railways should undertake a scientific survey with a view to assessing the maximum traffic that Railways can handle and where the rail transportation. would be cheaper *vis-a-vis* road not only for evolving effective strategies for successful marketing on Indian Railways but also for achieving better utilisation of the capacities created.
3	97	Ministry of Railways (Railway Board)	Revenue freight traffic on the Railways has two main components, *i.e.* bulk commodities and other goods. Bulk commodities like coal, fertilizers, iron and steel, cement, foodgrains etc. constitute about 95% of the tonnage. The proportion of bulk commodities has been steadily increasing over the years. Bulk commodities which made up 58.2 per cent and 79.8 per cent of total originating traffic in

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			1950-51 and 1970-71 respectively stood at 94.6 per cent in 1990-91. From the commodity-wise break-up of the total freight earnings, the Committee find that nine items accounted for about 88% of the total freight earnings in the year 1991-92. Of these, coal ranked top in the list contributing about 40% to the total earnings. In this connection, the Committees' attention has been drawn to the fact that power plants are major defaulters for Railways in payment of freight for coal supplied to Thermal Power Houses. According to the figures made available by Audit to the Committee, freight outstanding against power plants amounted to Rs. 700 crores in May, 1993. The representatives of Ministry of Railways stated during evidence that the arrears have been accumulated due to the defaults by the Electricity Boards who are stated to have not been able to realise their dues from the consumers. The Committee consider the extent of arrears as serious and desire that the Ministry of Railways should make vigorous efforts to recover the dues. The Committee would like to be informed of the latest position in the matter.
4	98	Ministry of Railways (Railway Board)	The data furnished by the Ministry also indicated that Railways were incurring losses on transportation foodgrains and salt. While in case of foodgrains, the loss incurred in 1991-92 amounted to Rs. 158 crores, Salt accounted for loss of Rs. 56 crores during the same year. The losses were attributed to the concessional rates offered on those two items. It was however stated that exemptions given to grains and pulses have since been withdrawn and were being charged at normal tariff items. The Committee would like to be apprised of the latest position in respect of the profits earned or losses sustained by the Railways on the transportation of those two items.

1	2	3	4
5	99	Ministry of Railways (Railway Board)	One of the important functions of the Marketing and Sales Organisation is to keep a watch on the loading of High Profit Yielding (HPY) commodities, for which daily quota of wagons have been fixed or guaranteed, to improve their earnings. The Public Accounts Committee in their 16th Report (Seventh Lok Sabha) had recommended that the Marketing and Sales Organisation should strive to attract high rated traffic as much as possible especially where there had been diversion to road over long and uneconomical distances. The Committee find that the quantum of traffic in high profit yielding commodities averaged 6.7% of the total traffic but constituted 15.04% of the total earnings during the five years in 1971-72 to 1975-76. In 1990-91, the HPY commodities accounted for 5.4% of weight and only 8.09% of the earnings. The Committee regret to conclude from the above that despite its existence for over 27 years the Marketing and Sales Organisation had woefully failed in increasing the traffic in high profit yielding commodities.
6	100	-do-	The Committee find that there were 47 HPY commodities in 1970 which was enlarged to 78 in 1976. These were in the 'other goods' category and were carried on 'smalls' or as 'piecemeal' traffic in wagons. The list was revised in 1984 wherein Railway Board identified 35 categories of commodities as having fairly high profit yielding potential. The criteria for inclusion of these commodities in the list issued in 1984 was that only those commodities whose originating tonnage in the preceding year was 10000 tonnes or more and whose profitability was Rs. 1000 or more per wagon. As per Railway Board's instructions, the traffic in these commodities should not normally be subjected to any operating restrictions and the loading of these

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			commodities should be watched by the operating and commercial officers at all levels. Further it was also stipulated that there should be close coordination between operating and commercial departments to ensure maximum loading of these commodities and the marketing officers of the Marketing and Sales Organisation were to make special efforts to increase loading in these commodities. The Committee are however, unhappy to note from their examination of certain illustrative cases of loading of HPY commodities in some zonal Railways that those instructions were not complied with. On Southern Railway during the period 1985-86 to 1990-91 traffic in HPY commodities registered a downward trend. There was an overall drop of 912300 tonnes with a fall in earnings of Rs. 38.63 crores in 1990-91 in comparison to the position of traffic in 1985-86. The decreasing trend continued in 1991-92 also. However, the monthly appreciation report sent to the Railway Board did not indicate and the Board did not bother to ascertain the reasons for the drop in loading these commodities or the steps proposed to be taken to recapture the traffic. On the Central Railway, there was a steep fall in the loading of two HPY items namely electrical appliances and oil seeds in the years 1990-91 and 1991-92. On the South Eastern Railway, while the target for loading HPY commodities exceeded in 1989-90 it declined in 1990-91 and 1991-92. Similarly on the Western Railway also there had been a continuous decline in the loading and earnings from HPY commodities during 1987-88 to 1991-92. However, the Marketing Organisation had not analysed the reasons for the steep fall in these cases. All these, clearly indicate that the Marketing and Sales Organisation both at Board and Zonal levels had failed in keeping a watch on the loading of high profit yielding commodities which they were expected to perform as per the assigned objectives of the

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			Organisation and also the Board's instructions in this behalf. The Committee cannot but express their unhappiness over this.
7	101	Ministry of Railways (Railway Board)	The Ministry of Railways have explained that the definition and scope of high rated commodities has been changing in accordance with the variation in the pattern of transportation of commodities in Indian Railways. According to the Ministry as a result of the directional shift to bulk carriage of goods and the reclassification of several bulk commodities enhancing their profitability, the HPY commodities falling in the category of 'other goods' in 1970-71 no longer had the same economic relevance on earning generation potential. The Ministry stated that they have enlarged their base of bulk traffic more effectively and efficiently than envisaged originally and have not restricted the scope of their marketing thrust to a limited group of HPY commodities identified in the 70s. The Committee however, would like to point out that the authorities concerned had not taken any action to revise the list of HPY commodities so as to reflect the shift in approach as claimed by the Ministry in the working of the Marketing and Sales Organisation. It was only after the Audit paragraph and the selection of the subject by the Committee that the Ministry in 1993 revised the list to 11 items. The list indicated that many of the items were of bulk in nature. Also the criteria for inclusion of the commodities in the list has also been revised. Since most of the bulk traffic comes under programmed movements, the Committee wonder whether in the changed circumstances the Marketing and Sales Organisation has now any specific role to perform in the marketing of HPY items.

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8	102	Ministry of Railways (Railway Board)	One of the principal objectives of the Marketing and Sales Organisation is to improve the quality of service to the customers and for that to plan and provide inter-model services combining the advantages of rail and road transport. Several services have been undertaken by Indian Railways under the aegis of Marketing and Sales Organisation with this objective. This included Freight Forwarder Scheme, Container Services, Mobile Booking Service, Quick Transit Service, Speedlink Express, Station to Station Rate etc. The Public Accounts Committee in their 70th Report had recommended that targets and goals in relation to each service undertaken under the aegis of Marketing and Sales Organisations should be laid down. They had also recommended that the measures actually taken to set up marketing and sales promotion activities with a view to expanding the various services rendered by the Marketing and Sales Organisations should also be clearly indicated stating separately how far these have proved effective. However, the performances of some of such schemes, as discussed in the succeeding paragraphs, have belied the expectations of the committee.
9	103	-do-	The Committee note that Freight Forwarder Scheme was introduced in 1969 in order to cater mainly to small traffic bulked into wagon loads which tends to move away from rail to other modes of transport. Under this scheme, approved freight forwarders collect and deliver consignments from/to the godowns of new trains at the forwarding and destination stations in 'smalls' and offer them for transportation by rail between specified terminals in wagon loads. An attractive lump sum rate is offered by the railways to the freight forwarder. Such traffic is generally carried in conventional wagons or containers by nominated quick transit service or express and super express goods trains. During

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			the year 1990-91 this scheme was available over 60 routes. The loading went up from 27,785 wagons in 1989-90 to 28,653 wagons in 1990-91. The earnings also increased from Rs. 23.71 crores in 1989-90 to Rs. 29.57 crores in 1990-91. However, since then there had been a steep fall in the earnings which touched as low as Rs. 15.52 crores in 1992-93. The Committee desire that the precise reasons for this decline in revenue should be looked into and necessary corrective action taken.
10	104	Ministry of Railways (Railway Board)	As stated earlier under the Freight Forwarder Scheme Railways offered a concessional, lumpsum rate to the freight forwarders. the Committee find that there had been a marked variation in the lumpsum rates quoted by Eastern Railway in Howrah-New Delhi route in comparison to the rates offered by Northern Railway on the same route. According to Audit the incorrect fixation of rate under the scheme in this case deprived Eastern Railway of an earning of Rs. 70 lakhs during 1989-90. Further the Eastern Railway had also not observed the norm that the concessional rate under Freight Forwarder Scheme should not fall below the current average earnings per wagon for traffic between the concerned stations, while fixing the lumpsum rate in 1989-90. Pertinently, at the relevant time, indents for wagons were also pending with the Eastern Railway (2165 per month) for transportation of other goods traffic. While disagreeing with the Audit objection the Ministry of Railways maintained that the fixation of rates by the authorities in Eastern Railway was proper. The Committee desire that in the light of the facts relating to this case and the Audit objection, the Ministry should look into the whole question of fixation of lumpsum rates with a view to ensuring that they are correctly fixed and that the interests of Railways are adequately protected.

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11	105	Ministry of Railways (Railway Board)	Another shortcoming observed by the Committee was that under the Freight Forwarder Scheme Railways were not aware of the type of commodities loaded. In this connection the Committee find that in the Northern Railway the freight earned under this service increased from Rs. 189 lakhs in 1987-88 to Rs. 607 lakhs in 1991-92. The test check of three high profit yielding commodities namely soap, plaster of paris and soda conducted by Audit showed a steep shortfall in traffic from 36100 to 2000, 250vs to 2770 and 14900 to 5110 tonnes respectively during 1987-88 to 1991-92. This indicated that possibility that the increase in traffic was due to diversion of high profit yielding commodities to Freight Forwarder Scheme. In the light of the sample cases pointed out by Audit, the Committee recommend that the Ministry of Railways should ensure that the Railways revenues are not suffered due to diversion of high profit yielding commodities traffic to the Freight Forwarder Scheme.
12	106	-do-	The Committee find that despite the concessional rate extended and the existence of a specialised marketing institution—M&SO under whose aegis the scheme was operated, the Freight Forwarded scheme did not show any good result. In fact, the earnings under the scheme had gone down from Rs. 29.57 crores in 1990-91 to Rs. 15.52 crores in 1992-93. There was a shortfall in the physical performance of the scheme in Eastern Railway. Similarly there was a declining trend of loading in Central Railway and the South Eastern Railway registered a drastic fall, both in the number of wagons loaded as also the amount of earnings. It is, therefore, abundantly clear that the M&SO had not been able to make the FFS particularly popular. The Committee trust that the Ministry of Railways will take note of this for necessary corrective action and review the working and continuance of the Freight Forwarder Scheme.

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13	107	Ministry of Railways (Railway Board)	The Committee find that the Quick Transit Service (QTS) provides transport of goods between certain pairs of stations within assured target time for which the customer is required to pay Quick Transit Service charges in addition to the ordinary freight. In case the consignment is not made available for delivery within the stipulated time, the Quick Transit Service Charges are refunded. The Committee are distressed to note that the performance of this service was dismal in almost all the Zonal Railways during the period 1990-93. In several cases, the additional service charges had to be refunded to the level of 100% indicating the extent of failure in adhering to the guaranteed delivery schedule. The Ministry of Railways have stated that with the emphasis shifting to bulk-train load, point to point movement, the scheme was no longer viable and that they were proposing to discontinue it altogether. This however, does not absolve the Railways from the failure to implement this service properly. Such non-adherance to time schedule, in fact, only confirms the widespread impression that the Indian Railways cannot guarantee any service. The Committee would like to be informed of the decision taken about the fate of Quick Transit Service (QTS).
14	108	-do-	Speed Link Express (SLE) trains for goods traffic were introduced in June 1984 with a guaranteed transit time and an offer of refund of 5% freight charges in addition to Quick Transit Service charges for failure to adhere to the guaranteed time. The Committee are concerned to note that the scheme did not make any breakthrough mainly due to lack of co-ordination between the commercial and operating departments and consequent failures to adhere to the guaranteed transit time. To quote a few weaknesses, on Southern Railway, instead of augmenting the

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			Railway revenues, the scheme resulted in foregoing even the normal revenue on account of avoidable lapses. Besides, loading of SLE goods required to be made on nominated days only acted as a constraint since the traders could not obtain railway receipts immediately for raising funds and at the same time had to incur expenditure on godown rent for storing their goods till the nominated way. On Eastern Railway, SLEs were run with significant under load. The Ministry of Railways assured that after some initial fluctuations, the Scheme has now stabilised. The Committee cannot remain satisfied merely with this assurance. They desire that the Railway Board should look into the shortcomings in the scheme and take effective remedial measures for successful marketing of the scheme and make the results available to the Committee.
15	109	Ministry of Railways (Railway Board)	In order to enable the Railways to have some flexibility in the matter of charging freight on commercial considerations the concept of station to station rate, at rates below the normal tariff was introduced to attract traffic and earn additional revenue. The Committees' examination found that apart from not generating adequate response, the operation of the scheme and its marketing and sales efforts left a lot to be desired. It was seen that while on the Eastern Railway, the total number of wagons loaded under the scheme declined from 20567 in 1988-89 to 6033 in 1991-92, on the Southern Railway most of the station to station rates introduced over the last five years were withdrawn either for want of traffic or on the grounds of poor patronage. The Committee desire that all the weaknesses in the operation and marketing of station to station rates scheme should be thoroughly analysed and necessary corrective action taken.

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16	110	Ministry of Railways (Railway Board)	From the facts stated in the preceding paragraphs it is abundantly clear that despite the patronage of a specialised organisation for marketing, most of the scheme had not been successful in generating good responses from the users. While the existing schemes were struggling to sustain their customer base, there was lack of seriousness in implementing the new schemes. For instance, the Railway Board had among others proposed three schemes, *viz.*, own your wagons in 1985, Leasing out SLR space for parcel loading in 1991 and introduction of fast parcel services in 1991. However, none of these schemes proposed during the period 1985 to 1991 had been implemented. The Ministry of Railways stated that "Own your wagons" scheme launched in 1985 did not evoke any public response and therefore, a revised scheme under the same name was launched in 1992 which according to the Ministry has since picked up response from the users. As regards "Leasing out SLR space for parcel loading" the Ministry merely stated that the scheme was introduced in 1991 without indicating the date of implementation and the extent of response. The Ministry offered no explanation for the non-implementation of the third scheme. Evidently, the whole system of introduction of new schemes for implementation and the operation of existing schemes leaves much to be desired. The Committee, therefore, desire that the matter should be thoroughly looked into and necessary action taken with a view to sustaining and expanding the customer base of Railways. The Committee would like to be informed of the latest position in respect of the implementation of the various schemes and the extent of public responses.
17	111	do	The Committee find that the main reasons cited for the poor performance of the various

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			services/schemes operated by Marketing and Sales Organisation and the marked deterioration in the loading of high profit yielding traffic were inadequate supply of wagons and the restrictions imposed on booking of traffic on account of operational difficulties. However, during evidence, the representative of Railway Board admitted that Indian Railways had remained stagnant at a particular efficiency level since 1987-88 in wagon utilisation. The Committee are therefore of the view that apart from scope for better utilisation of wagon capacity, there is need for effective co-ordination between the operating and commercial departments of the Railways.
18	112	Ministry of Railways (Railway Board)	The Committee find that one of the objectives of the Marketing and Sales Organisation was to maintain close liaison with trade and industry to ascertain and solve their problems about transportation by rail. In this connection, the Committee's attention was drawn to a sample study by Audit of the booking of paper, sugar and turmeric at three different stations with reference to the materials received at the concerned station, annual rate of production of the commodity and average share of traffic offered for transport by rail. In the case of a paper mills factory located in Rajahmundry in Andhra Pradesh having an annual capacity of one lakh tonnes, the Railway's share of traffic was hardly on average 10% and had also reduced from 840 wagons in 1986-87 to 232 in 1991-92. The main reason was stated to be non-supply of wagons in time for this piecemeal traffic causing inordinate delay in traffic as well as late arrival at destination. Similarly, the Market Organisation had not been able to attract sugar traffic in respect of a sugar factory with an annual production of three to six lakh tonnes located near Nizamabad Station on South Central Railway. In yet another case of

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			turmeric traffic in the same area, the traders were stated to have been forced to divert the business to road transport due to non-availability of wagons and extra freight charges caused by movement of traffic through lengthier routes. The Ministry of Railways attributed the failure to attract traffic in the selected cases discussed above to limited production capacity by the paper mill, movement of sugar being controlled by Ministry of Food and Agriculture, imposition of traffic restrictions for diversion of turmeric transportation via lengthier routes, etc. The committee can not accept these arguments as valid explanations for the failure of the Marketing and Sales Organisations in achieving the desired objectives. In their opinion, the Railways are not justified in shifting the responsibility for such shortcomings to other extraneous factors. The Committee therefore, recommend that the Ministry of Railways should look into the matter and see that there is close coordination between operating and commercial departments of the Railways as well as with other Government departments concerned. Constant and continuous liaison also needs to be maintained by the Marketing and Sales Organisation, both at the Railway Board as well as the Zonal Railway levels with the industry and trade so that the problems faced by them during the interactions are ironed out to the extent possible with a view to ensuring that the commodities, particularly, the high rated ones are offered to the Railways for transportation.
19	113	Ministry of Railways (Railway Board)	Another function of Marketing and Sales Organisation is to undertake commodity/road surveys to assess as to which of the traffic could be brought to Railways with advantage. In their 70th Report (Sixth Lok Sabha) the Committee emphasised the need for conducting purposeful market research on scientific lines and by

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			qualified personnel. The Audit paragraph, however, revealed that road surveys were conducted, sporadically and even when conducted, neither and analysis nor any follow up action was initiated. The Ministry of Railways have stated that market surveys are conducted by the Zonal Railways from time to time "as the need arises". The Ministry have, however, admitted that no periodicity for such surveys has been prescribed. From the information furnished by the Ministry in this regard, it was also revealed that the surveys conducted were inadequate and that the Board issued instructions to the Zonal Railways very recently only to organise commodity-wise surveys of traffic moving by road to be conducted at the check-posts around certain cities. During evidence, the representative of the Ministry admitted the inadequacies in the surveys conducted. The Committee regret to note that the even after the lapse of 27 years since it was set up, the Marketing and Sales Organisation still have not evolved any proper mechanism for underaking a meaningful market research which is a matter of concern to the Committee. The Committee therefore, desire the Railway Board to evolve a proper system of market research which will act as an effective feedback and help in formulating plans and strategies for improved services and satisfaction to customers.
20	114	Ministry of Railways (Railway Board)	The Committee have time and again pointed out that a serious weakness of the Indian transportation system was the lack of co-ordination between the rail and road systems in the country. In fact, there is a severe competition between the two. The Committee in this connection, recall the following observations made in paras 1.230 and 1.231 of their 70th Report (Sixth Lok Sabha): ..."The road transport has certain inherent advantages over rail transport such as the ability

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			to provide door to door service, pick and choose not only the commodities for carriage but also the routes and customers and very rates at will. On the other hand the Railways being a nationalised undertaking and a public utility service have the obligation to carry all traffic that is offered to them; sometimes even at less than cost as in the case of essential commodities like coal and foodgrains...over the years the Railways' share of the total freight has continuously gone down and with the diversion of short distance and high profit-yielding traffic to the roads, the Railways have virtually become carriers of only bulk commodities and other long distance freight which the road do not find profitable to transport of which cannot be conveniently transported by road. This phenomenon not only involved wasteful competition between the railways and road hauliers but leads to a national waste inasmuch as the rail capacity created at great cost remains unutilised or underutilised in many sectors.
			The Public Accounts Committee have been repeatedly emphasising the need for an effective rail-road coordination which can be brought about only if there is a national integrated transport policy. The Committee have now been informed that a draft National Transport Policy as circulated by the Ministry of Shipping and Transport in January 1977 was revised in the light of comments received from various Ministries and referred to the Planning Commission who propose to appoint a high power committee to consider various aspects of the draft paper. This draft has yet to pass through various stages before it can take a proper shape. The Committee are constrained to express their dissatisfaction over the delay in finalization of a national transport policy...."
			The facts stated in the preceding paragraphs amply indicate that the observations made by the Public Accounts Committee as far back as

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			16 years ago are fully relevant even in the present situation. They regret to note that despite their persistent exhortations an integrated transport policy is yet to be formulated. The Committee have been informed that the National Transport Committee in 1978 had in their report submitted in 1980 recommended *inter alia* setting up of a National Transport Commission as an appropriate mechanism for achieving continuous and complete rail and road co-ordination. Unfortunately, the recommendation was not approved by the Government. The Committee further note that the Luthra Committee have recently formulated a Report on "Perspective planning for transport development" for consideration of the Planning Commission which is also understood to have dealt with the issue of integrated rail and road transport. In the light of the above facts, the Committee would like to once again reiterate that the matter may be considered at the highest level and steps taken for formulating an integrated transport policy and evolving a mechanism for effective co-ordination of rail and road transport. The Committee would like to be informed of the action taken in the matter.
21	115	Ministry of Railways (Railway Board)	The Committee note that while an integrated transport policy had eluded the country, the marketing and sales efforts on the Indian Railways have not kept pace with the emerging role of the Indian Railways. The Ministry of Railways have expressed their optimism that with the placement of Chief Marketing Managers under the operating Department, setting up of container Corporation, introduction of schemes like leasing of SLR space, running of speed link services etc., the marketing efforts of the organistion would get a boost in the future. This may be so. But the

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			Committee feel that in view of the fact that the Railways share of the total land freight traffic has been falling continously there is an urgent need to have a re-look into the role and functioning of Marketing and sales organisation in Indian Railways not only from the point of view of profitability but also in terms of service satisfaction rendered by the premier organisation. This is particularly essential 'in the context of the target set by Indian Railways for achieving 370 to 400 billion net tonne kilometers of freight traffic by 2000 A.D. against the present performance of 258 billion net tonne kilometers in 1992-93. They, therefore, recommend that the Ministry of Railways (Railway Board) should look into the matter in-depth and take necessary action. The Committee would like to be informed of the further action taken in the matter.