

**COMMERCIAL PUBLICITY IN
INDIAN RAILWAYS**

[Action taken by the Government on the Observations/
Recommendations of the Committee contained in
their Seventieth Report (16th Lok Sabha)]

**MINISTRY OF RAILWAYS
(Railway Board)**

**PUBLIC ACCOUNTS COMMITTEE
(2017-18)**

HUNDREDTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO.2134

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(Railway Board)



Presented to Lok Sabha on:

Laid in Rajya Sabha on:

LOK SABHA SECRETARIAT
NEW DELHI

March, 2018/ Chaitra, 1940 (Saka)

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INTRODUCTION

I, the Chairperson, Public Accounts Committee (2017-18) having been authorised by the Committee, do present this Hundredth Report (Sixteenth Lok Sabha) on action taken by the Government on the Observations/Recommendations of the Committee contained in their Seventieth Report (Sixteenth Lok Sabha) on "**Commercial Publicity in Indian Railways**".

2. The Seventieth Report was presented to Lok Sabha/laid in Rajya Sabha on 11 April, 2017. Replies of the Government to the Observations/ Recommendations contained in the Report were received on 24 November, 2017. The Sub-Committee-II of PAC (2017-18) considered and adopted the Report at their sitting held on 20 March, 2018. The Report was considered by the Public Accounts Committee (2016-17) during their sitting held on 23 March, 2018. The Minutes of the Sittings form Appendices to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the C&AG of India.

5. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Seventieth Report (Sixteenth Lok Sabha) is given at *Appendix-III*.

NEW DELHI;
27 March, 2018
06 Chaitra, 1940 (Saka)

MALLIKARJUN KHARGE
Chairperson
Public Accounts Committee

REPORT
CHAPTER – I

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Seventieth Report (16th Lok Sabha) on the subject "Commercial Publicity in Indian Railways' relating to the Ministry of Railways (Railway Board).

2. The Seventieth Report (16th Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 11th April, 2017, contained 10 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministry of Railways (Railway Board) and are broadly categorized as under :

(i) Observations/Recommendations which have been accepted by the Government:

Para Nos. 1-10

Total: 10
Chapter - II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Para Nos. Nil

Total: Nil
Chapter - III

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Para Nos. Nil

Total: Nil
Chapter - IV

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Para Nos. Nil

Total: Nil
Chapter – V

3. The detailed examination of the subject by the Committee had revealed that while identifying various media vehicles a series of guidelines for selection of advertising

sites were issued by the Railway Board. The revenue mobilization through Commercial Publicity during 2007-08 to 2011-12 remained between Rs. 150 crores to Rs. 200 crores. Commercial Directorate of Railway Board is responsible for policy directions related to Commercial Publicity. Para 6.4.1 of C&AG Report No. CA 19 of 2008-09 had highlighted deficient implementation of Railway Board's guidelines on Commercial Publicity. In their Action Taken Note, the Ministry had admitted to failure of certain initiatives owing to poor market response with reference to level crossing gates, freight wagons etc. In December, 2009 the then Minister of Railways tabled in Parliament a 'White Paper' on Indian Railways where concern was expressed on the slow growth in earnings from commercial publicity due to poor success of new initiatives, namely, bulk right contract etc. The Committee had observed that in spite of the 10th Report of Standing Committee on Railways (May, 2005) during 14th Lok Sabha, C&AG's Report No. CA 19 of 2008-09 and white paper on Indian Railways tabled in Parliament in December, 2009 by the then Railway Minister and the C&AG Report No. 11 of 2013 highlighting the slow growth in earnings from Commercial Publicity, the Ministry of Railways could not learn any lesson to improve its working. The Ministry of Railways failed to ensure that a proper assessment of the demand potential was conducted by the Zonal Railways involving external agencies and market experts. Moreover, exceedingly high targets were fixed by the Ministry of Railways without consulting the Zonal Railways with the objective to put pressure on them in making more efforts to improve their performances rather than focusing on realistic and achievable targets. As a result there was no incentive or compulsion on Zonal Railways to formulate an action plan to achieve the prescribed targets for exploitation of identified assets/media for commercial publicity. Due to lack of focus of Zonal Railways, the tenders floated for advertising contracts did not elicit adequate response from the targetted parties. The presence of unauthorized advertisements/hoardings in and around Railway platforms which points towards connivance of the officials of Railways with advertisers also shows lack of adequate monitoring and vigilance by the Railway authorities. Moreover, contract management by the Railways suffered from various deficiencies such as poor record management leading to missing of escalation clauses from contracts of 32 divisions of 16 Zonal Railways, and in respect of 47 contract cases involving seven Zonal Railways.

The license fee/penalty on delayed payment to the tune of Rs. 7.75 crore were either not recovered or short recovered. The deficiencies in contracts were also highlighted by the fact that due to non inclusion of service tax clause, Railway Administration was served with a demand notice for Rs. 1.76 crore for non recovery of service tax from contractors for the period from May 2006 to June 2009. The Ministry of Railways have failed miserably to exploit the potential of Commercial Publicity in Indian Railways despite wide reach of network of the Railways across length and breadth of the country.

4. The Action Taken Notes furnished by the Ministry of Railways in respect of all the Observations/Recommendations of the Committee have been reproduced in the relevant chapters of this Report. The Committee will now deal with the action taken by the Government on some of their Observations/Recommendations made in their Sixty-Ninth Report, which need reiteration or merit comments.

OUT OF HOME POLICY OF ADVERTISEMENTS
(Recommendation No.7)

5. The Committee had observed that the menace of unauthorized displays at the Railway stations has been a constant source of leakage of revenues of the Railways and it has been found that the problem is particularly severe in case of EMUs/passenger trains where contracts had to be foreclosed due to lack of space on account of unauthorized and illegal display of advertisements on the trains. The main reason which has been found during the examination by the Committee is poor record management regarding the details of advertisements displayed at the EMUs/trains/stations. The Committee were informed that Station Master maintains registers regarding the number, location and date of commencement and expiry of all contracted sites of a commercial publicity/advertisements at the EMUs/trains/stations and is responsible for removal of unauthorized advertisements. However, the practice of non-maintaining of registers at the stations has been found rampant at many stations of seven Zonal Railways (CR, ER, NFR, SCR, SWR, WCR and WR) and some Station Managers were not even aware of requirement of maintaining such registers. Thus, the possibility of collusion between Railway authorities and illegal advertisers cannot be ruled out. The Committee felt that the Railways had been lax in carrying out adequate

timely inspections of stations and trains for checking and removing unauthorized advertisements as the Committee were informed that there were no prescribed schedule or guidelines for inspections to be carried out at the stations and trains by officers of Railway Board. Although it has been informed that Zonal railways have formed core teams, inclusive of RPF personnel and special drives were being conducted but the Committee felt that in absence of any ready mechanism for identifying unauthorized displays such drives may not yield desired results. The Committee, therefore, recommended that the Railways should explore the feasibility of hallmarking or branding with authorized symbols on all the contracted advertisements as one of the conditions for their display at the stations with provision of security deposit being maintained with the Railways by the advertisers for recovering of the loss of revenue in case of advertisement being displayed beyond expiry date.

6. The Ministry of Railways (Railway Board) in their action taken note have furnished as under:

"The new Out-of-Home policy of the Ministry of Railways will now be Rights based policy rather than a particular site based policy wherein the licensee shall be sold the right to install advertisements on Railway land or premises subject to safety and convenience of both trains and passengers. The contracts will be for a longer period of 10 years. As the contract will not be for a short tenure and will be rights based, there will not be any situation where advertising displays will go beyond the scheduled period. The new policy has made the implementation of the contract conditions much simpler and market friendly while reducing the scope of misuse. As specific locations are not being sold to any individual company, it will be far easier to monitor the implementation of contracts and it will require few inspections on part of railways."

7. **The Committee note that they had recommended for hallmarking or branding of all the contracted advertisements with authorised symbols as one of the conditions for their display at the stations with provision of security deposit which may be used in case of advertisement being displayed beyond expiry date. However, the Ministry of Railways in their reply have furnished that their new Out-of-Home policy will now be rights based policy rather than a particular site based policy wherein the licensee shall be sold the right to install advertisements on Railway land or premises subject to safety and convenience of both trains and**

passengers. The contracts will be for a longer period of 10 years. As the contract will not be for a short tenure and will be rights based, there will not be any situation where advertising displays will go beyond the scheduled period. The Committee, however, feel that if hallmarking or branding of all the contracted advertisements is made mandatory it will help in easily identifying the unauthorised advertisements. Therefore, the Committee reiterate their earlier recommendation that the Railways should explore the feasibility of hallmarking or branding with authorized symbols on all the contracted advertisements as one of the conditions for their display at the stations with provision of security deposit being maintained with the Railways by the advertisers for recovered of the loss of revenue in case of advertisement being displayed beyond expiry date.

8. While hoping that the new 'Out-of-Home' policy being rights based one for a longer period of ten years and will reduce the scope of misuse, the Committee desire that the Ministry of Railways scrupulously monitor implementation of the contracts under the new policy in a transparent and expeditious manner. The Committee further would like to be apprised of the financial advantage/disadvantage of the Ministry in adopting the new 'Out-of-Home' Policy in comparison with the previous advertisement policy within four months of the presentation of this report.

CVC INQUIRY ON FIRST-COME FIRST-SERVE POLICY
(Recommendation No.9)

9. The Committee had noted that there were irregularities in award of contract of advertisements on First cum First Serve basis which was prevailing in the Mumbai divisions of CR and WR for the last 25 - 30 years. There was no clarity on identification of contracted site, about innovative ideas for selection of new sites and displays of advertisement. The Committee had noted that there was no transparency in award of contracts in CR & WR. The Committee note that cases of irregularities in allotment of advertisements sites and involvement of Railway officials were enquired by the Central Railway vigilance. After the matter was consulted by CVC action against 06 officials were initiated and cases of 04 officers were under consideration of disciplinary authority.

Further, in case of role of other officials, a report has been received by the Railway Board and was under their consideration. The committee had noted that the CVC enquiry established that the fraud in award of contract in advertisements was detected by the CVC and action against the officials of the Railway are being taken. The Committee had, therefore, desired that (i) All contract which were allotted on the basis of FCFS should be terminated with immediate effect; and (ii) CBI enquiry should be ordered to conduct inquiry in the whole gamut of FCFS policy, in Mumbai Division of Central Railway and Western Railway.

10. The Ministry of Railways (Railway Board) in their action taken note has furnished as under:

"All contracts allotted on the basis of FCFS have been terminated in Central Railway, against which the existing licensees have approached the Mumbai High Court. Since no stay has been granted by the Mumbai High Court, all the contracts stand terminated on date.

No contracts are now being awarded on the basis of FCFS and a completely transparent e-auctioning tender system has been adopted. A complaint from Dr. Kirit Somaiya, Hon'ble MP, was received from CVC vide their letter No. 141/RLY/009/255362 dated 31.07.14. The same was investigated by Central Railway vigilance. The matter was consulted with CVC which advised major penalty action against 7 officials, cut-in-pension against 2 officials and administrative action against one official. As regards the proposed disciplinary action, cut-in-pension proceedings upon two charged officials (now retired) have commenced. Major penalty proceedings have been initiated upon another three charged officials and administrative action against one is under process in Central Railway (i.e., action has already been initiated on 6 out of 10 charged officials). Cases of 4 officers are under consideration of the disciplinary authority.

As regards the role of other officials, a report has been received from Central Railway and the same is under consideration of the competent authority. The matter will be consulted with the CVC and action will be initiated on their advice.

The Ministry of Railways have a well established structure for investigation of vigilance issues. The Vigilance wing of the Ministry and the Zonal Railways are well aware of the Railway working & competently handled issues related to Railways due to their technical competence in Railways matters. It is the considered opinion of the Ministry of Railways that the vigilance directorate of Railways should carry out a detailed investigation of the issues observed by the PAC under the guidance of Central Vigilance Commission. The outcome of the investigation will be duly reported to the PAC for its consideration."

11. In view of lack of transparency in contracts awarded for advertisements on First-cum-First Serve basis the Committee had recommended for termination of all sever contracts with immediate effect. Accordingly, the Railways terminated all such contracts in Central Railway against which the existing licensees have approached the Mumbai High Court. No contracts are now being awarded on the basis of FCFS and a completely transparent e-auctioning tender system has been adopted. As recommended by the Committee, the Ministry of Railways is of the considered opinion that the vigilance directorate of Railways should carry out a detailed investigation of the whole gamut of FCFS policy, in Mumbai Divisions of Central Railway and Western Railway under the guidance of Central Vigilance Commission. The Committee would like to be apprised of the outcome of the investigation conducted on FCFS policy and action taken thereon. The Committee are shocked to note that inspite of its recommendation to terminate all contracts allotted on the basis of First-cum-First Service Policy in Central Railway and Western Railway of Mumbai Division, Ministry have taken action only in Central Railway and not in Western Railway. The Committee are not satisfied with the reply of the Ministry that Vigilance Directorate of Railways should carry out a detailed investigation of the issues observed by the PAC under the guidance of CVC. The Committee are concerned to note that even after a lapse of more than three and a half years of the receipt of the complaints, the Ministry could take action only against 6 out of 10 charged officials on the plea that disciplinary action against the remaining persons is under consideration of the disciplinary authority. The Committee, while reiterating its earlier recommendations desire that (i) all contracts allotted on the basis of FCFS Policy in Western Railway of the Mumbai Division also be terminated forthwith; (ii) CBI inquiry be conducted into the whole gamut of FCFS Policy in Central Railway and Western Railway of Mumbai Division of Indian Railways; and (iii) immediate disciplinary action taken against the four remaining charged officials and others found guilty or involved in corruption. They also desire the Ministry to ensure that contractors whose contracts were terminated on the basis of deficient FCFS

policy are barred and put on caution list, including its Director/Partners/Group companies for future contracts.