

CHAPTER 1

Review on Passenger Revenue Management in Indian Railways

1.1 Highlights

- **Almost 60 per cent of the passengers travelled to distances less than 150 kms. Of these, 86 per cent passengers travelled in ordinary second class. Financial impact in terms of loss of earnings due to non-revision of second class ordinary passenger fares was assessed at Rs.702 crore in respect of passengers who travelled in the distance slabs of 1-150 kms. during the years 2001-02 and 2002-03.**
(Para 1.7.1)
- **Out of a total of 69.38 crore passengers who travelled between distance slab of 1-150 kms. in second class ordinary trains during the period 2002-03, Audit assessed based on test-check that 20.92 crore passengers travelled in distance slabs for which fares were reduced resulting in fall in revenue amounting to Rs.24 crore.**
(Para 1.7.2)
- **By extrapolating results of test-checks, Audit assessed loss of revenue of Rs.2,344.76 crore during the period 1999-00 to 2002-03 due to non-acceptance of recommendations of RFFC to bring rail fares at par with bus fares.**
(Para 1.7.3)
- **Non-adherence to prescribed level of relativity in fixing the fares for various classes resulted in loss of revenue of Rs.1.48 crore during the year 2003-04 in respect of 215 pairs of stations test checked.**
(Para 1.8.2)
- **Non-acceptance of recommendation of RFFC for fixing the fare for Inter City trains ten per cent higher than the Mail/ Express trains resulted in loss of revenue of Rs.22.76 crore per annum in respect of 39 out of 53 trains test checked.**
(Para 1.9.1)
- **Fixing of passenger fares for Rajdhani trains 15 per cent above Mail/ Express fares instead of 20 per cent recommended by RFFC deprived the Railways of an additional revenue of Rs.15.54 crore during the year 2003-04 alone.**
(Para 1.9.2)
- **Ministry of Railway has foregone an amount of Rs.325.84 crore on account of various concessions during the year 2003-04 alone.**
(Para 1.11.1)

- **Charging of 50 per cent fare instead of 75 per cent recommended by RFFC in respect of children provided with full berth resulted in loss of Rs.0.28 crore during 2003-04 in respect of 21 trains selected by Audit for test-check.**
(Para 1.11.2)
- **Non-acceptance of RFFC's recommendation for withdrawal of concessions to delegates of various organisations resulted in loss of Rs.0.65 crore during the year 2003-04 alone.**
(Para 1.11.2)
- **Running of 33 ordinary passenger trains in excess of requirement in 13 out of 21 non-suburban sections test checked resulted in loss of Rs.48.76 crore during the year 2003-04.**
(Para 1.12.2)
- **Introduction of new trains, extension of run of existing trains and increasing the frequency without conducting traffic surveys or cost analysis resulted in almost all the trains adding to losses incurred by the Railways.**
(Paras 1.13.2 to 1.13.5)
- **Introduction of 18 pairs of Jan Shatabdi trains during 2002-03 and 2003-04 has resulted in loss of Rs.72.22 crore from the dates of their introduction to March 2004.**
(Para 1.14)
- **Railways have incurred loss of Rs.137.76 crore during the year 2002-03 and Rs.137.51 crore during the year 2003-04 in operating 1,384 and 1,399 halt stations respectively.**
(Para 1.15)

1.2 Introduction

The Indian Railways consist of an extensive network spread over 63,122 kms covering 6,906 stations, making it the world's second largest railway system under a single management. Indian Railways run nearly 8,927 passenger trains daily carrying, on an average, 1.4 crore passengers per day. During 2003-04, the total passenger traffic was about 511.2 crore and the revenue earned by the Railways from catering to such traffic was about Rs.13298 crore.

1.3 Scope of Audit

The performance audit covers passenger services of the Indian Railways. EMU and suburban services have been excluded from the scope of this audit as the review of these services was done in the year 1999-2000 and the results were reported in the Railway Audit Report No.9 of 2001. Five years' macro data and select micro data from all the 16 Zonal Railways covering the period 1999-2000 to 2003-04 have

been used for the assessment of performance of the Railways against the audit objectives detailed below.

1.4 Audit Objectives

While there is a consistent growth in the passenger earnings, passenger kilometers and average lead per passenger (**Exhibit-1**), the profitability of the passenger services has not kept pace with the growth. This is because the increase in passenger fares has not kept pace with the increase in cost of operation of passenger services. Further, the share of passenger earnings to the total earnings has been going down over the past few decades and as of 2002-03 constituted only about 30 per cent of the total traffic receipts (**Exhibit-2**). A skewed tariff policy in which there has been massive subsidisation of passenger fares and overcharging of certain categories of freight traffic has been the prevailing order for several years now. The extent of cross-subsidisation is indicated in **Exhibit-3**.

Exhibit-1

Statement showing trend of passenger traffic during 1998-99 to 2003-04

Sl. No.	Year	Passenger earnings (Rs. in crore)	Number of passengers (in crore)	Passenger kilometers (in crore)	Average lead per passenger (in kms.)	Average rate per passenger per kilometre (in paise)
1	2	3	4	5	6	7
1.	1999-00	9555.60	458.5	43066.6	93.90	22.19
2.	2000-01	10483.20	483.3	45702.2	94.60	22.94
3.	2001-02	11162.20	509.3	49348.8	96.90	22.62
4.	2002-03	12540.80	497.9	51504.4	103.60	24.35
5.	2003-04	13298.30	511.2	53275.5	104.23	24.96

Source: Annual Reports and Annual Accounts of Indian Railways.

Note: Figures in the table include EMU and suburban services also.

Exhibit-2

Statement showing share of Passenger Earnings to Gross Earnings of Railways

Sl. No.	Period	Passenger earnings (Rs. in crore)	Gross receipts (Rs. in crore)	Percentage of Passenger Earnings to Gross Earnings
1	2	3	4	5
1.	1950-59	1087	3248	33.47
2.	1960-69	2082	6997	29.76
3.	1970-79	4877	16341	29.85
4.	1980-89	16623	64896	25.61
5.	1990-99	50387	184507	27.31
6.	2000-03	34186	113786	30.13

Source: Annual Reports and Annual Accounts of Indian Railways.

Exhibit-3
Statement showing cross subsidisation of passenger traffic

(Rs. in crore)

Year →	1998-99	1999-00	2000-01	2001-02	2002-03	
Type of Traffic ↓						
	2	3	4	5	6	7
Coaching						
Receipts	9493.74	10707.40	11620.17	12483.90	14037.05	
Expenses	13438.99	15074.09	17164.17	18444.18	19772.65	
Gain/ Loss	(-) 3945.25	(-) 4366.69	(-) 5544.00	(-) 5961.28	(-) 5735.60	
Goods						
Receipts	19949.12	22053.54	23297.63	24837.99	26496.97	
Expenses	15662.88	16692.08	18850.79	19404.55	20050.30	
Gain/ Loss	4286.24	5061.46	4446.84	5433.44	6446.67	
Total						
Receipts	29442.86	32760.94	34917.80	37320.89	40534.02	
Expenses	29101.87	32066.17	36014.96	37848.73	39822.95	
Gain/ Loss	340.99	694.77	(-) 1097.16	(-) 527.84	711.07	

Source: Summary of End Results printed by the Ministry of Railways (Railway Board).

With increasing working expenses, the Railways have been finding it extremely difficult to generate enough revenue to finance their already sanctioned and ongoing capital projects, replace and renew existing capital assets, take up projects for technology upgradation and become financially independent of Government support. In this scenario, there has been a long felt need for the Indian Railways to rationalise their passenger fare structures, carefully plan and execute proposals for optimisation and augmentation of existing capacity and have a strong accountability framework to ensure achievement of these objectives.

The main objectives of this performance audit are, therefore, to focus on the very same areas that are of concern to the Railways and have been elaborated below:

(i) Examine the efficacy of the efforts made by the Railways to cover cost of operations and maximise revenue from passenger services. The sub-objectives in this regard are basically in the area of rationalisation of passenger fare structure and capacity optimisation and augmentation, which are detailed below:

Rationalisation of passenger fares:

- Has the passenger fare structure been drawn up from time to time keeping in view the passenger profile relating to (i) distance generally travelled (ii) class preferred (second class, sleeper, I class, AC 3 tier, AC 2 tier, AC I class) and (iii) category of train preferred (passenger, Mail/ Express, Inter-city, Rajdhani, Shatabdi etc.)
- Are fares determined keeping the cost of operations in view?
- Are fares comparable/ competitive with other modes of transportation especially the Roadways?

- Are the concessions/ subsidies in fares given by the Railways necessary and to be borne by the Railways?

Capacity optimisation and augmentation:

- Is the existing capacity of trains being optimally utilised by adjusting train timings, reservation quotas, composition of trains, provision or withdrawal of halts etc. and
- Is introduction of new trains, increasing frequency and extending the run of existing trains being done keeping the customers demand, cost of operation and operational feasibility in view?

(ii) Determine whether appropriate accountability frameworks are in place and accountability is occurring for (a) adopting and implementing the recommendations of the Expert Committees set up for rationalising passenger fare structure and increasing revenue from passenger services and (b) implementing the budgetary announcements made by the Railway Minister in regard to the expected passenger earnings, revision of passenger fares and decisions to introduce new trains and increase the frequency and extend the run of existing trains.

The detailed objectives were to determine:

- whether there is provision for clear roles and responsibilities,
- whether there is provision for clear performance expectations,
- to what extent provision is made for credible reporting,
- to what extent provision is made for reasonable review and adjustment,
- whether there is credible reporting, and
- whether there is reasonable review and adjustment.

1.5 Audit Criteria

Since several high level Expert Committees were set up to go into the various issues relating to the tariff policies, fare structure and policy imperatives for reinvention and growth of the Indian Railways and wide ranging recommendations have been made by these committees, our audit criteria were taken from these reports. The reports mostly relied upon were:

- The Railway Tariff Enquiry Committee (RTEC) report submitted in 1980
- The Railway Fare and Freight Committee (RFFC) report of 1993
- The Indian Railways Report 2001: Policy Imperatives for Reinvention and Growth (Rakesh Mohan Committee Report)

In addition the objectives in the Plan Documents and rules and provisions in the Railway Codes on matters relating to passenger

services were used as criteria to assess performance of the Indian Railways.

1.6 Audit Methodology

For the purpose of deciding areas of audit focus, discussions were held with the senior officers of the Railway Board and the Zonal Railways, policy files were perused for their analysis of issues and analysis of the macro data as maintained by the entity was done. For assessing performance in the area of rationalization of passenger fares, test data of certain trains for specified periods were collected and financial impact in the form of revenue lost and extra avoidable expenditure incurred on account of non-adoption of the recommendations made by expert groups were made across all the 16 Zonal Railways. For this purpose existing data or evidence provided by the auditee was relied upon. Testing of available data for correctness and completeness has not been done, unless otherwise indicated in the report. For purposes of comparison with Roadways, information was collected from the various State Transport Corporations. As regards audit on the issues of accountability the budget documents, directions given by the Railway Board to zonal offices for implementing the budget announcements, the reporting mechanism of the field offices and the reports of the Railway Board laid on the table of the Parliament were reviewed for their transparency, effectiveness, credibility and completeness.

Findings of Audit conducted on the basis of objectives and methodology mentioned above are discussed below.

1.7 Relation of passenger fares to distance travelled

The distance slab-wise position of passenger traffic during the period 1999-2000 to 2002-03 is indicated in the table below:

Number of originating passengers excluding suburban (in crore)

Distance slab →	1-50 kms	51-150 kms	151-200 kms	201-500 kms	Above 500 kms	Total	Percentage of passenger to total		
							In 1-50 kms	In 51-150 kms	Com-bined 1-150 kms
Years ↓									
1999-00	46.36	28.80	7.20	20.82	17.34	120.52	38.46	23.89	62.36
2000-01	49.06	33.99	7.16	20.36	18.80	129.37	37.92	26.27	64.20
2001-02	52.01	35.83	7.94	22.55	20.15	138.48	37.55	25.87	63.43
2002-03	43.25	37.37	8.93	23.86	21.30	134.71	32.11	27.74	59.85

Source Year Books.

The above table indicates that the number of non-suburban passengers travelling in the distance slab of 1-50 kms was the highest representing approximately 32.11 to 38.46 per cent of the total passenger traffic, followed by passengers travelling in the distance slabs of 51-150 kms, which accounted for 23.89 to 27.74 per cent of the total traffic. Together, these distance slabs account for 59.85 to 64.20 per cent of the total traffic.

Though Railways have also been maintaining separate distance slab-wise statistics of the revenue collected, the information is not published. The statistics were collected by Audit and studied. An analysis of one year data (i.e. 2002-03) shows that 32.11 per cent passengers travelling in the distance slab of 1-50 kms contribute only 3.2 per cent earnings (Rs.350.66 crore). The next crucial distance slab of 51-150 kms accounting for 27.74 per cent passengers contributes only 7.51 per cent of the earnings (Rs.821.50 crore). Further, class-wise analysis of the passenger profile for the year 2002-03 revealed that out of total passenger of 43.26 crore and 37.37 crore who travelled in the distance slabs of 1-50 kms and 51-150 kms respectively, 40.48 crore (93.60 per cent) and 28.90 crore (77.35 per cent) travelled in second class ordinary as compared to 6.40 and 22.65 percent who travelled in other higher class in these crucial distance slabs. The lopsided relationship between passengers carried and earnings realised throws light on the gross neglect by the Railways in rationalising and devising a proper fare structure.

(Annexure I)

1.7.1 Revision of fares not commensurate with rise in prices

A review of the fare structure, with special focus on the distance slabs of 1-150 kms and ordinary second class passengers, prevailing since 1994-95 revealed that the Railways adopted the fare structure recommended by RFFC with effect from 1 April 1994 with some modifications. The fares up to 10 kms were the same as recommended by RFFC. From 11-50 kms, the fares were a little higher than recommended by RFFC but after this, the fares were less by Re.1 to Rs.4 up to 150 kms. However, the revisions made thereafter during 1998-99 and 2002-03 were not commensurate with the general rise in prices. Audit, therefore, made an attempt to assess the financial impact of non-revision of the passenger fares in relation to the rising prices for the years 2001-02 and 2002-03 and found that:

- The fares fixed for distance slab between 1-10 kms during 2001-02 and for distance slabs of 1-5, 6-10 and 21-25 kms during 2002-03 were exactly matching the rise in price index.
- The fares for other distance slabs up to 150 kms had not been fixed to keep pace with the rise in the price index and were less by Rs.2 to Rs.12 during the year 2001-02 and Re.1 to Rs.14 during 2002-03.
- Financial impact in term of loss of revenue due to non-revision of second class ordinary passenger fare was Rs.702 crore for the years 2001-02 and 2002-03.

(Annexure II)

1.7.2 Financial impact of inappropriate revision of fares

A detailed review of the changes introduced with effect from 1 April 2002 in second class ordinary fares revealed that changes were not

effected uniformly. While for some distance slabs fare was increased nominally, for others it was either kept at the existing level or decreased. Audit was unable to appreciate the rationale of lowering the fare for certain distance slabs and retaining the existing fare for certain others for distance slabs up to 100 kms. Test check conducted for the month of March 2004 on one section of approximately 150 kms each on all Zonal Railways revealed that:

- On the selected routes, out of total passengers of 5,32,746, who travelled in second class ordinary trains, 1,60,619 (30.15 per cent) travelled in the distance slabs where fares were decreased involving fall in revenue amounting to Rs.0.018 crore. Applying the results of test check to total of 69.38 crore passengers who travelled between distance slab of 1-150 kms in second class ordinary trains during the period 2002-03, the number of passengers who travelled in the distance slabs where fares were decreased works out to 20.92 crore, resulting in estimated fall in revenue amounting to Rs.24 crore.
- Test check also revealed that in the selected sections 98,379 passengers (18.47 per cent) out of a total of 5,32,746, travelled in the distance slabs where fares were not increased at all. By extrapolating this to the total number of passengers who travelled in the distance slab of 1-150 kms, 12.81 crore passengers travelled in second class ordinary trains where fare was not increased during the period 2002-03.

(Annexure III)

1.7.3 Comparison of rail fares with road fares

What should be considered an appropriate fare structure for short distance? RTEC in their report had recommended that rail fares up to 150 kms should be comparable with bus fares. RFFC in their report had also observed that rail fares up to a distance of 70 kms should be brought closer to bus fares. While making this recommendation, the committee had observed that rail fares were generally higher than bus fares. Audit scrutiny in this regard, however, revealed that the present position was exactly the reverse and rail fares were far less than bus fares, which is a clear indication that rail fares have not kept pace with the rising prices. Comparison of rail fares with bus fares for the corresponding distances up to 150 kms revealed the following:

- The rail fares for second class ordinary trains were between Rs.4 and 14 for distances ranging from 1 to 70 kms and between Rs.15 and 25 for distances ranging from 71 to 150 kms. As compared to these, the bus fares charged by various State Government Transport agencies were between Rs.2 to Rs.35 for distances between 1 and 70 kms and Rs.23 to Rs.72 for distances between 71 and 150 kms. This indicates that there was no parity between rail fares and bus fares and the rail fares were far less than the corresponding bus fares.

- Test check of one month (March 2004) data in the year 2003-04 conducted in one section each of all 16 Zonal Railways revealed that 2,95,387 passengers (55.45 per cent) travelled in second class ordinary trains in distance slabs of 1 to 70 kms and 2,37,359 passengers (44.55 per cent) travelled in distance slabs between 71 and 150 kms. Non-acceptance of committee's recommendations for fixing rail fares comparable with bus fares has resulted in less realisation of Rs.0.72 crore in one month in selected sections alone. The proportionate less realisation on projected number of passengers who travelled in distance slabs of 1-150 kms during the period 1999-00 to 2002-03 works out to Rs.2344.76 crore. This indicates that rail fares are highly subsidised and require upward revision.

(Annexure IV)

Audit also reviewed the position of rail fares fixed for the distances within 150 kms and beyond 150 kms where point to point bus services are popular and found that:

- Travel time by train was far less than time taken by buses to reach same destination. The time gained was one hour and more for reaching distances within 70 kms, two hours and more for places in the distance range of 70 kms to 150 kms and above.
- Despite providing an advantage of shorter travel time and more comfort and facilities for travel, the Railways were charging less than the bus operators. The difference in fare ranged from Rs.4 to Rs.88 per passenger.
- Passengers travelling in one pair of stations each selected on all Zonal Railways for the distance slabs of 1 to 70, 71 to 150 and 151 kms. to 250 kms. (except Eastern Railway where two pairs each were selected in distance slab of 1-70 kms and 151 to 250 kms and Central Railway where two pairs were selected in the distance slab of 71-150 kms.) revealed that Railways lost Rs.2.30 crore due to charging fares less than the prevailing road fares during the year 2003-04 alone.

(Annexure V)

1.8 Relation of passenger fares to class of travel

A class-wise passenger profile of non-suburban traffic for 2002-03 is indicated as **Exhibit 4**. It can be seen therefrom that the number of upper class passengers is very small accounting for just 2.06 per cent of total passengers travelling on the Indian Railways but the earning is significant accounting for 24.04 per cent of the total non-suburban passenger revenues. On the other hand, the number of passengers in ordinary class is the highest at 72.75 per cent but accounts for only 17.57 per cent of the total earnings. Class-wise profitability figures

from Mail/ Express and ordinary trains during the period 1998-99 to 2002-03 is shown as **Exhibit - 5** which read with **Exhibit - 4** clearly indicates that the fixation of the base fare for ordinary second class and determining the relativity of fares of the other classes is not in tune with good revenue management practices.

Exhibit-4

Statement showing class-wise passengers profile (2002-03)

Class	Number of passengers (in crore)	Passenger kilometres (in crore)	Lead (in kms.)	Per-centage of passenger to total non-suburban	Per-centage of kms. to total non-suburban	Earnings (Rs. in crore)	Per-centage of earnings to total non-suburban
1	2	3	4	5	6	7	8
Upper Classes	4.2	2897.0	689.70	2.06	6.82	2719.10	24.04
II Mail/ Express	51.3	25418.3	495.30	25.18	59.84	6602.66	58.38
II Ordinary	148.2	14162.5	95.60	72.75	33.34	1987.43	17.57
Total Non-suburban	203.7	42477.8		100.00	100.00	11309.19	100.00
Suburban	293.4	9026.6	30.80	72.02	10.63	1156.00	9.82
Grand Total	407.1	84955.6		100.00	100.00	11162.25	100.00

Source: Year Book (2002-03).

Exhibit-5

Statement showing class-wise net earnings from Mail/ Express and ordinary trains (Rs. in crore)

Year →	1998-99	1999-00	2000-01	2001-02	2002-03	
Type of Traffic ↓	2	3	4	5	6	7
1 st AC M/E	22.41	41.17	69.59	65.97	60.61	
AC 2-T M/E	189.31	306.92	281.58	200.22	289.54	
AC 3-T M/E	5.42	191.97	263.90	235.34	278.25	
AC Chair Car M/E	(-) 23.76	48.19	25.79	24.50	53.40	
FC M/E	(-) 4.51	(-) 3.64	(-) 20.58	(-) 47.35	(-) 45.33	
SL M/E	(-) 1089.62	(-) 958.97	(-) 1371.23	(-) 1558.42	(-) 1610.44	
II M/E	(-) 161.48	(-) 378.40	(-) 791.82	(-) 1098.79	(-) 965.39	
FC Ord.	(-) 34.01	(-) 33.71	(-) 37.90	(-) 25.82	(-) 26.81	
SL Ord.	(-) 82.79	(-) 102.22	(-) 132.29	(-) 115.27	(-) 132.91	
II Ord.	(-) 1582.04	(-) 2028.03	(-) 2136.86	(-) 2019.46	(-) 2146.59	

Source: Summary of End Results printed by the Ministry of Railways (Railway Board).

After examining the recommendations made by RTEC, the Railway Board adopted a rationalised passenger fare structure from 1 April 1983. According to the new fare structure, the base scale of passenger fares was applicable to the second class ordinary tickets and the fares for other classes were fixed higher at 1.4 times for second class Mail/ Express, 3 times for A.C. Chair Car, 5.5 times for first class and 11 times for AC class.

The RFFC had also made recommendations regarding the relativity of passenger fares that should be maintained for different classes. The

committee recommended keeping the second class ordinary fare as base and maintaining the following relativity:

Class	Relativity recommended by RFFC
Second class ordinary	100
Second Mail/ Express	150
AC Chair Car/AC 3 Tier	300
AC Sleeper	480
AC First class	960

Ministry of Railways took almost 6 years to implement this recommendation and adopted a relativity structure as given below from April 1999. From 1 April 2002, second class ordinary fares beyond the distance slabs of 100 kms were fixed at 55 per cent of the second class Mail/ Express fares. Changes were also made in the relativity of fares in various classes with effect from 1 April 2003 as indicated the following table:

Class	Relativity w.e.f. 1 April 1999	Relativity w.e.f. 1 April 2003
Second Class Mail/ Express	100	100
Sleeper	155	160
AC Chair Car	300	350
AC 3 Tier	450	450
First Class	525	525
AC 2 Tier Sleeper	720	720
AC First class	1,440	1,400

1.8.1 Though the relativity adopted was higher than that recommended by RFFC, delay in revising the relativity had resulted in the Railways losing additional revenue during the intervening period. Moreover, as the cost of operations had gone up during the intervening period, the revision of base fare also became due. Non-revision of base fares as per requirement rendered the entire exercise quite meaningless and did not compensate the Railways for the cost of running the trains services.

1.8.2 Even the prescribed relativity structure was not uniformly applied across all distance slabs while determining the passenger fares and drawing up the fare table. Test check of passengers booked from stations at the headquarter of each Zonal Railway to five stations (with the exception of Central, Eastern and South Central, North Central and East Central Railways where the number of stations, to which passengers booked test checked were 12, 11, 7, 2 and 2 respectively and Western and North Western where passenger booked from five and four stations respectively were test checked) conducted for the period 2003-04 revealed that the financial impact of not maintaining the prescribed levels of relativity was as under:

- Though the fares above 100 kms were to be fixed at 55 per cent of the second class Mail/ Express fares, the relativity was not adopted correctly at various distance slabs and the fares were in fact less than the fare already prevailing and also less than 55 per cent of the existing second class Mail/ Express fares. The

- financial implications of non-fixation of second class ordinary fare at 55 per cent of second class Mail/ Express fare uniformly for all distance slabs resulted in decrease of revenue to the tune of Rs.0.15 crore on 131 pairs of stations selected for test check.
- Non-adherence of prescribed level of relativity in I AC resulted in less realisation of revenue amounting to Rs.0.08 crore in respect of 0.01 crore passengers booked from 24 stations to 84 stations over 16 Zonal Railways during the year 2003-04.
 - Non-adherence of prescribed level of relativity in 2-Tier AC resulted in less realisation of revenue of Rs.0.31 crore in respect of 0.07 crore passengers booked from 24 stations to 90 stations over 16 Zonal Railways during the year 2003-04.
 - Non-adherence of prescribed level of relativity in 3-Tier AC resulted in less realisation of revenue of Rs.0.32 crore in respect of 0.12 crore passengers booked from 24 stations to 91 stations over 16 Zonal Railways during the year 2003-04.
 - Non-adherence of prescribed level of relativity in AC Chair Car resulted in less realisation of revenue of Rs.0.23 crore in respect of 0.12 crore passengers booked from 24 stations to 61 stations over 16 Zonal Railways during the year 2003-04.
 - Non-adherence of prescribed level of relativity in Sleeper class resulted in less realisation of revenue of Rs.0.54 crore in respect of 0.48 crore passengers booked from 24 stations to 82 stations over 16 Zonal Railways during the year 2003-04.

(Annexure VI)

The overall financial impact will be far more significant and, therefore, calls for a review and recasting of the Passenger Fare Table.

1.9 Relation of passenger fares to category of trains

At present for the purpose of charging fares, there are mainly four types of passenger trains viz. Ordinary, Mail/ Express, Super fast and Special category trains like Rajdhani, Shatabdi and Jan Shatabdi. The first two categories with differential fares have been in existence since long and the concept of super fast trains was first introduced in 1978 by levy of a super fast surcharge. Rajdhani was introduced sometime in 1972 and the Shatabdi in 1988. Justification for differential fare structure for different types of trains exists on account of factors like journey time, convenience of departure and arrival time of trains, number of stops involved enroute, services like the provision of pantry cars and beddings, better seating and sleeping facilities and space, air-conditioning, toilets, attendants to look after the need of passengers and advance reservation to avoid the hassles of journey. The different types of trains run on Indian Railways as on 31 March 2004 are given in the following table:

Category of trains	Number of trains
Ordinary Passengers & Mixed trains	3,482
Mail/Express	1,012
Superfast	236
Rajdhani	34
Shatabdi	32
Jan Shatabdi	32

Review of the passenger fare structure for the different categories of trains is discussed below:

1.9.1 Passenger fare for 'Inter city Trains'

RFFC had recommended that the concept of super fast trains should be changed to 'Inter City' trains and that instead of levying a separate super fast surcharge, the fare of these trains should be fixed 10 per cent higher than mail/ express fare. The trains fulfilling the following criteria were to be classified as inter city trains:

- Medium distance express trains which provide an overnight service between important cities i.e. trains leaving at or after 1900 hours and arriving next morning by 0900 hours.
- Daytime trains which have limited halts and which return on the same day. These trains connect cities with distances ranging between 180 and 350 kms. The trains which have pantry service and leave at or after 0600 hours and reach its destination by 1100 hours and in the return direction leave at or after 1600 hours in the same evening may fall in this category.
- Medium distance and long distance trains which run at an overall speed of 60 kmph or more on BG, 55 kmph on MG with convenient timings and have pantry service.

Audit reviewed the position of all Mail/ Express trains running on Indian Railways and found that:

- Though 133 trains were fulfilling the criteria suggested by RFFC for treating them as 'Inter City' trains, the Railways had not taken appropriate action to classify them as such and fix higher fare. Only 80 of them were running as 'super fast' for which a surcharge of Rs.10 in second class, Rs.20 in Sleeper class, Rs.30 each in AC Chair Car, 3-Tier AC and 2 Tier AC Sleeper and Rs.50 in First Class AC was being levied.
- Test check of 39 out of remaining 53 trains qualifying as 'Inter City' trains on all Zonal Railways except West Central Railway revealed that though these trains had the advantage of convenient timings for departure and arrivals and the time taken by these trains as compared to time taken by other trains was less by 45 minutes to five hours 35 minutes and the number of stops enroute were also less by one to 24, the fare charged was equal to other Mail/ Express trains.

- Test check of data in respect of the trains mentioned above for the month of March 2004 conducted by Audit to assess the financial impact of not declaring the trains as 'Inter City' and fixing higher fare revealed that Railways lost revenue of Rs.1.90 crore in respect of passengers boarding from the originating point and travelling up to final destination. By accepting the recommendation of the committee, the Railways could have increased its revenue by Rs.22.76 crore per annum.

(Annexure VII)

1.9.2 Classification of Rajdhani and Shatabdi trains as 'Special Trains'

RFFC had recommended that the fares, excluding the cost of food, for Rajdhani and Shatabdi trains should be 20 per cent higher than express trains. The recommendation of the committee was not kept in view while proposing a separate fare structure for Rajdhani and Shatabdi trains from 1 April 1995. In his budget speech made on 26 February 2003, the then Railway Minister had proposed to link the fare structure of Rajdhani and Shatabdi trains to the rationalised fare structure of Mail/ Express trains but the basic fare of such trains was fixed 15 per cent higher than the Mail/ Express trains instead of 20 per cent higher proposed by RFFC.

- There was delay of almost eight years in implementation of the recommendation of the committee depriving the Railways of higher revenue.
- The Railways could have earned an additional revenue of Rs.15.54 crore during the period 1 April 2003 to 31 March 2004 alone had the fares of Rajdhani trains been fixed 20 per cent higher instead of 15 per cent higher.

(Annexure VIII)

1.10 Off peak season fares

RFFC and Rakesh Mohan Committee had felt the need for flexibility in fixing fares considering the factors like seasons and convenience of timings. The Railway Board introduced the concept of off-peak season fares as a concession equal to 10 per cent of fare in Rajdhani and Shatabdi trains in the year 2003-04. This was done with a view to increase the revenue, during the off-peak period i.e. from 15 July to 15 September. Audit assessed the impact of the concession of 10 per cent allowed from 15 July 2003 to 15 September 2003 and found that:

- The number of passengers as well as the earnings in all Rajdhani trains increased during the off peak period as compared to the number of passengers and earnings of the same period of last year.
- Since the concept of introduction of off peak fares has yielded encouraging results, the Railway Board should review the

system in detail and extend the same to Mail/ Express trains also. Delay in implementation of the recommendations of the committee has deprived the Railways of the extra earnings for around 10 years.

1.11 Concessions in fares

The Railway Board allows concessions to various categories of passengers travelling on the Indian Railways. These concessions vary for different categories of persons. There are approximately 167 different kind of concessions given by the Railways. Out of these, 31 are duty and privilege passes given to the Railway Officers and employees, 29 to defence and para-military forces, 32 handicapped persons, 12 for Members of Parliament, State Legislative Assemblies and freedom fighters, 14 for artists and awardees of various categories, four for sport persons, 15 for educational purposes and four on medical grounds. In addition, there are concessions given to senior citizens, farmers, war widows etc.

1.11.1 Analysis of data at five Passenger Reservation System centres viz. Kolkata, Chennai, New Delhi, Secunderabad and Mumbai for the year 2003-04 revealed the following:

- Out of total of 24.26 crore passengers booked by the above PRS centres 5.01 crore (21 per cent) passengers excluding Railway employees availed various type of concessions during the year 2003-04.
- Out of total passengers who availed of concessions, senior citizens were on the top with 62.21 per cent followed by students (education) 10.86 per cent and handicapped persons 9.79 per cent.

(Annexure IX)

- The maximum number of concessions availed were in Sleeper class (73.10 per cent) followed by Second class (9.08 per cent), AC 3-Tier (8.64 per cent) and AC 2-Tier (4.84 per cent).
- The total earnings of five PRS during the year 2003-04 was Rs.7477.90 crore. The amount of concession given during the same period was Rs.325.84 crore excluding the concessions extended to Railway employees and concessions extended to defence personnel & MPs/ MLAs for whom the reimbursement is given by the respective departments.

(Annexure X)

1.11.2 RFFC in their report had recommended withdrawal/ reduction in the quantum of certain concessions. The main recommendations which were to provide relief to the Railway's exchequer are given below:

- Quantum of concession should not exceed 50 per cent.

Report No.9 of 2005 (Railways)

- Maximum age limit for free travel of children should be reduced from the existing five years to three years.
- 50 per cent concession allowed to children between the age of five and 12 should be extended to children falling in the age group of three and 12 years. The quantum of concession should be reduced to 25 per cent if the child is provided a berth in reserved compartment and increased to 75 per cent if no berth is provided.
- Concession given to delegates of various organisations should be discontinued.
- Cost of free passes issued to ex-MPs should be borne by the Department of Parliamentary Affairs and not by the Ministry of Railways.

Audit scrutiny in this regard revealed -

- In 19 categories the quantum of concession allowed as on 31 March 2004 is more than 50 per cent.

(Annexure XI)

- Far from reducing the categories of passengers for concessions, each budget announcement added to the list. The new concessions allowed from 1999-2000 to 2004-05 are given in **Annexure XII**.
- The recommendation that the children should be charged from three years of age instead of the present five years has not been accepted by the Railway Board on the plea that this concession was given in the 'International Year of the Child' and announced by the Minister of Railways in the Parliament. The reasoning is clearly a political gesture with little consideration for the financial interests of the Railways. In this context, it is relevant to mention that the Road Transport, which is the main competitor of the Railways, charges for children beyond the age of three years.
- Children between the age group of five and 12, although provided full berth in sleeper coaches, are charged 50 per cent fare as against the RFFC recommendation to reduce the concession to 25 per cent. The recommendation of the committee has not been accepted by the Railway Board on the ground that proposed changes will result in confusion and corruption. This apprehension is ill founded and not based on any clearly articulated problems/ constraints.

In respect of children travelling on 21 Mail/ Express and Rajdhani trains test checked by Audit revealed that by not accepting RFFC's recommendation to charge 75 per cent fare in respect of children up to the age of 12 years when provided full berth resulted in loss of Rs.0.28 crore during the month of December 2003 on all the Zonal Railways, except Eastern

Railway for which information was collected for the month of January 2004. The financial implications would be far more if the overall position of all trains is taken into account.

(Annexure XIII)

- The Railway Board had issued a large number of sanctions allowing concession ranging from 25 per cent to 75 per cent in second class Mail/ Express, Sleeper Class and AC Classes to delegates of various organisations during the period 1 April 2003 to 31 March 2004. Test check revealed that during 2003-04 concession amounting to Rs.0.65 crore was allowed to 36,486 delegates for attending various conferences etc.

(Annexure XIV)

- The recommendation regarding passing on the cost of free passes issued to Ex-MPs to the Department of Parliamentary Affairs was not accepted stating that Department of Parliament Affairs had not agreed to bear the cost. The financial impact on this account assessed by Railways for the year 1993-94 was Rs.1.47 crore. The amount of concession borne by Railways during the review period could not be quantified as separate figures were not made available.

1.12 Capacity utilisation

RFFC in their report had observed that Railways do not have any firm and reliable data showing occupancy or earnings of individual trains and that Railways were carrying a general impression that every passenger train is running over crowded but thereafter the actual position ascertained from the data collected by statistical directorate indicated the occupancy in various classes was very low. It was, therefore, recommended that Railways should regularly study the load factor of each train to identify the reasons for low occupancy of the trains and make adjustment in capacity, number of halt stations en-route, provision of better connection, change in timings etc. Though this recommendation was accepted in principle and Railways have been conducting census on each train twice a year, the results of this are not being used effectively to make adjustments required.

For realisation of optimum benefits from the operations of trains it is essential that all the capacity of all the trains is utilised to the maximum. For this purpose there should be a system whereby the Railways know the extent of utilisation of each train and make suitable changes in the procedures. Judicious fixing of quotas in the reservation of berths from originating as well as road side stations and making cost benefit analysis are, therefore, necessary aspects on which Railways should focus their attention. Railways' performance in this regard was review by Audit and findings are discussed below:

1.12.1 Reservation quota of Berths/ Seats

The reservation quota distribution system was rationalised by Railway Board in April 1999. Since long distance trains are meant primarily for the passengers who travels from end to end, 70 per cent of the total capacity in reserved compartments was proposed for this category and 30 per cent for passengers boarding from road side stations. Various sub-quotas with in the quota recognised for end to end passengers were also described.

As per instructions of the Railway Board, the position regarding utilisation of various quotas was to be reviewed personally by the Chief Commercial Manger (PM) on regular basis to make changes for optimum utilisation of the same. A review of utilisation of these quotas in two trains originating from each of the Zonal Headquarters of Railways for the month of March 2004 revealed that the quotas were not fixed judiciously and that review and adjustment was not being undertaken as required. Audit findings are discussed below:

Central Railway

In respect of Train Nos. 8029 and 2322, the quota fixed for the originating station was 36.36 per cent and 65.94 per cent respectively in sleeper class. In both the trains there were waitlisted passengers suggesting a need for revision of the reservation quota for better utilisation of the train capacity at the originating point.

West Central Railway

In respect of Train No. 1449 the quota in sleeper class for Jabalpur (originating station) and Satna (roadside station) was fixed at 52.38 per cent and 35.32 per cent respectively. The average utilisation of this quota was 85 per cent and 88 per cent respectively and there were also waitlisted passengers. The reasons for wait list passengers despite under utilisation call for a review.

Eastern Railway

The quota for sleeper class in train No.2307 at originating station (Howrah) was only 47.19 per cent and there were waitlisted passengers of about 10 per day. The quota fixed for roadside station (Gaya) was under utilised by around nine per cent indicating scope for revising the reservation quota of the originating station for better utilisation of the capacity. Similarly in train No.5959 though the quota fixed in AC 2-Tier and Sleeper class was 74.19 and 88.76 per cent respectively, there were wait list passengers in both classes. As the quota fixed for the road side station was under utilised to the extent of 49 per cent, the quotas of the originating station could be increased.

Northern Railway

In Train Nos.4645 and 4258 despite reservation quota of more than 70 per cent, there was average wait list of 50 passengers daily. The redistribution of quota is, therefore, required.

Western Railway

In respect of Train Nos.2925 and 2955 the 70 per cent quota in sleeper class fixed for at originating points of Bandra Terminus and Mumbai Central was not sufficient as average wait list of passengers per day was 143 and 60 respectively. Review of quota fixed for road side stations viz. Vadodara and Surat revealed that the quota was utilised to extent of only 45 per cent and 48 per cent respectively indicating possibility of increasing the quota of originating station.

North Western Railway

In Train No.2956 the quota in sleeper class for originating station at Jaipur and road side station at Ratlam was 70 per cent and 9 per cent respectively. While the utilisation at Jaipur was 100 per cent and there was long wait lists, the utilisation at Ratlam was only to the extent of 57 per cent requiring review for redistribution of these quotas.

1.12.2 Under-utilisation of Ordinary passenger trains

As already mentioned in paragraph 1.9 above, although ordinary passenger trains carried a substantial number of passengers, the revenue collection was very low. The reasons for lower revenue from these passengers may be attributed to lower fares as well as underutilisation of the capacity of the trains. Audit, therefore, reviewed the ordinary passenger train services being run by Railways and found that:

- On Indian Railways, 2,804 ordinary passenger trains (including DEMU/ EMU in the non-suburban sections) were running as on 31 March 2004.
- Out of these, 587 trains were running in sections where no other Mail/ Express trains were running.
- Out of 21 sections test checked on all Zonal Railways (except East Coast, North Eastern, South East Central and South Eastern Railways), where two or more ordinary passenger trains in each section were running, revealed that the average occupancy on 13 sections was less than 50 percent. The average occupancy on Badnera - Amravati section of Central, Luni - Samdari section of North Western, Satna - Rewa section of West Central and Dildarnagar - Tarighat section of East Central Railways was ranging from 2.17 per cent to 10.96 per cent. On these sections seven, two, three and three pairs of trains respectively were running as against the requirement of one pair on each section.
- Based on the actual occupancy of trains, as against the existing 84 pairs of trains running on these sections, 48 pairs were sufficient. The Railways were thus incurring wasteful expenditure of Rs.48.76 crore per annum.

(Annexure XV)

The above position indicates that remedial action such as change in composition of trains, change in timings or discontinuance of some of the trains was called for. However, no action has been taken as a result of which Railway is adding to its losses.

1.13 Capacity augmentation

In the corporate plan of Indian Railways (2000-2012) it has been indicated that cost-based tariff structure will be adopted for both passenger and freight services and review will be conducted regularly to neutralize increase in cost of inputs. Further design of passenger services will be based on detailed market research, including O-D analysis of PRS data, availability of competitive alternatives, passenger surveys etc. Introduction of new trains will be decided based on detailed study including simulation on route, terminals and facilities, costs and benefits, taking into account among others impact on line capacity, maintenance facilities, occupancy, composition etc. It was also indicated that there is a need to have a moratorium on introduction of new slow passenger trains.

1.13.1 During 1999-2000 to 2003-04, Ministry of Railway has introduced 601 (single) new trains, extended the run of 333 trains and increased the frequencies of 94 trains on the Indian Railway. Audit scrutiny of trains introduced during the review period revealed that:

- No cost benefit analysis was done before introduction of new trains to justify their introduction.
- Zonal Railways recommended introduction of 237 trains only and the balance 364 trains were introduced by the Railway Board without any proposal from the field.
- Similarly, there was no proposal for either extension of run or extension of frequency in respect of 143 and 46 trains respectively.

1.13.2 Introduction of new Mail/ Express trains

Test check of 15 (Mail/ Express) trains originating from the Zonal Railways except North Central Railway introduced in the year 2000 (one), 2002 (10) and 2003 (three) revealed that all except two newly introduced trains (2323 Howrah - New Delhi 2393 Patna - New Delhi) were running in loss ranging from Rs.0.40 crore to Rs.14.64 crore per annum. Occupancy of these trains ranged from 30.51 per cent to 100 per cent. It was also noticed that even trains where the occupancy was above 90 per cent were running in loss.

(Annexure XVI)

1.13.3 Introduction of new ordinary passenger trains

Despite having felt the need to have moratorium on introduction of new slow passenger trains, it was noticed that 11 ordinary passenger trains were introduced in the years 2000 to 2003. Test-check of these

trains revealed that all these trains were running in loss ranging from Rs.0.49 crore to Rs.7.52 crore annum.

(Annexure XVII)

1.13.4 Extension of run of trains

Test check of 11 pairs and two single trains whose run was extended during the years 2002-03 on all the Zonal Railways (except Southern, where test check of one pair was done for 2000-01 and South Western Railways, where one pair was test checked for the year 2001-02) revealed that the number of passengers who travelled in the extended portion was very poor and the Railway has incurred loss ranging from Rs.0.01 crore to Rs.1.55 crore per month as the cost of operations of the trains in the extended portion is far more than the earnings.

(Annexure XVIII)

1.13.5 Increase in frequency of trains

Similar test check of one train each on all the Zonal Railways (except North Central Railway) whose frequency was increased revealed that the increase in the number of passengers and earnings of these trains after the extension of their frequency was not sufficient to match the expenditure incurred and this was resulting in loss ranging from Rs.0.04 crore to Rs.0.65 crore per train per month.

(Annexure XIX)

1.14 Jan Shatabdi Trains

In order to commemorate the 150th year of the Indian Railways, the then Minister for Railway in his budget speech (2002-03) announced introduction of 16 inter-city train services to be called 'Jan Shatabdi Express' Trains. These trains were to have specially designed second class chair car accommodation and were introduced to make them accessible to a much wider spectrum of traveling public. The fares were fixed 10 per cent higher than the Mail/ Express fares.

1.14.1 Audit review of the justification for introduction of the trains and the financial viability of the trains introduced revealed that:

- Traffic/ cost analysis was not done before introduction of any of the Jan Shatabdi Train.
- Out of 18 trains introduced on the Indian Railways, all the trains except Train Nos.2077/ 2078 introduced on Chennai Egmore - Vijayawada section of Southern Railway were running in loss. Train Nos. 2079/ 2080 introduced over Bangalore City - Hubli section of South Western Railway had earned profit of Rs.0.25 crore during 24 November 2002 to 31 March 2003. However, after delinking of catering service from 1 April 2003, the train incurred loss of Rs.0.09 crore during 2003-04. Figures of earnings in respect of three trains running

Report No.9 of 2005 (Railways)

over Northern Railway for the period 2002-03 and two trains running over North Central Railway for the entire period since their introduction were not made available for reviewing the position of these trains. Loss incurred by Jan Shatabdi trains running on the other Zonal Railways from the date of introduction till 31 March 2004 was assessed at Rs.72.22 crore and the Railway-wise position is given below:

Railway	Train No.	Period	Loss (Rs.)
Central	2051/2052	16.4.02 to 31.3.04	5,87,75,538
West Central	2061/2062	16.12.02 to 31.3.04	8,00,78,857
Eastern	2065/2066	28.6.02 to 31.3.04	3,69,05,621
Northern	2055/2057/2060	2003-04	3,39,71,609
Northeast Frontier	2067/2068	11.10.02 to 31.3.04	10,85,78,603
East Central	2064	23.6.02 to 31.3.04	5,38,03,519
Southern	2083/2084	20.1.03 to 31.3.04	1,21,36,586
	2075/2076	2.11.02 to 31.3.04	53,66,510
	Total		1,75,03,096
South Western	2079/2080	24.11.02 to 31.03.04	15,55,849
South Eastern	2021/2022	2.3.03 to 31.3.04	7,06,94,720
Southeast Central	2069/2070	14.12.02 to 31.3.04	6,22,08,891
East Coast	2073/2074	14.10.02 to 31.3.04	5,97,19,766
Western	2081/2082	5.8.02 to 31.3.04	12,09,38,606
GRAND TOTAL			72,22,37,750

- The average occupancy of these trains was ranging from 3.35 per cent in respect to train No. 2064 (East Central Railway) to 77.98 per cent in respect of train Nos. 2051/ 2052 (Central Railway).
- No remedial action was proposed/ taken in respect of trains running over Central, West Central, Northern, East Coast, Southeast Central, Northeast Frontier, Southern, and South Western Railways although the occupancy was very low and the trains continued to add to losses of the Railways.
- In respect of Train Nos.2065/ 2066 running over Eastern Railway between Howrah and Malda Town, four additional stops were provided after introduction of the train and the composition of the train was reduced from 7 GSCZ coaches to 4 GSCZ with effect from 1 May 2003. Though the average occupancy increased from 15.57 per cent (2002-03) to 22.98 per cent (2003-04), this did not prove to be sufficient as the trains were still running in loss.
- Train Nos.2021/ 2022 which was earlier running as Shatabdi Express between Howrah -Rourkela was converted to run as Jan Shatabdi Express from 2 March 2003 between Howrah - Tata. With a view to improve the occupancy of the train, its run was extended up to Barbil with effect from 15 May 2003 and from 3 August 2003 one additional AC Chair Car coach was attached. Though there was slight improvement in the average occupancy, this was not sufficient to cover the loss.

- The average occupancy of Train Nos.2081/ 2082 running between Ahmedabad and Bhuj over Western Railway was 5.3 per cent during the year 2002-03. In order to improve the position, the train was scheduled to run between Ahmedabad and Gandhidham and number of coaches was reduced from existing 10 to three with effect from 10 November 2003. It was, however, noticed that the action was not sufficient as the average occupancy after this rose to only 7.25 per cent. The train was discontinued from 1 September 2004 after incurring heavy loss of Rs.12.09 crore.

1.14.2 While presenting the budget for 2003-04, the then Minister for Railway proposed that fares of Jan Shatabdi trains may be fixed at five per cent higher than Mail/ Express fares instead of existing ten per cent higher. This concession was allowed to increase patronage of these trains and make them more useful. Audit studied the impact of this fare reduction on occupancy and earnings of these trains and found that:

- Despite lowering the fare the number of passengers on trains Nos.2075/ 2076 and 2083/ 2084 running over Southern, Train Nos.2079/ 2080 over South Western and Train No.2082 over Western Railways had decreased drastically and there was corresponding decrease in earnings ranging from Rs.0.13 crore to Rs.1.18 crore.
- Despite increase in the number of passengers over trains running on Central and West Central Railways, the earnings had decreased by Rs.2.02 crore and 0.41 crore respectively.
- Though the earnings of Train Nos.2057/ 2058, 2059/ 2060 and 2055/ 2056 of Northern Railway, 2077/ 2078 of Southern Railway, 2021/ 2022 of South Eastern Railway and 2081 of Western Railway had increased, the increase was not sufficient to make these services profitable. These trains were running in loss ranging from Rs.0.70 crore to Rs.6.65 crore per annum.

(Annexure XX)

1.15 Operating halt stations

Total number of halt stations on all Zonal Railways except East Central Railway were 1,625 and 1,634 during the years 2002-03 and 2003-04. Out of these, data/ information for 104 and 112 halt stations during the years 2002-03 and 2003-04 respectively was not available. Review of the operation of these halt stations revealed that:

- Out of 1,521 and 1,522 halt stations operated during the year 2002-03 and 2003-04 respectively, only 127 and 123 were profit making.
- Railways have incurred loss of Rs.137.76 crore during the year 2002-03 and Rs.137.51 crore during the year 2003-04 in operating 1,384 and 1,399 halt stations respectively.

Keeping in view the substantial amount of loss, Railways are required to revise the existing policy of opening and closing of halt stations and close all such stations which are not profit making.

1.16 Accountability framework

Accountability is a relationship based on obligations to demonstrate, review and take responsibility for performance, both the results achieved in the light of agreed expectations and the means used. Review of the accountability framework in the Indian Railways especially with regard to changes made through Budget announcements in the Passenger Fare Structure and Passenger services during the five year review period and recommendations made by Expert Committees revealed the following deficiencies/ shortcomings:

1.16.1 No provision of clear roles and responsibilities

Taking the instances of introduction of new trains, extension of frequency and run of existing trains announced through the budgets into consideration and the findings described in greater detail in the previous sections, it is apparent that the proposals for introducing these changes did not emanate from Zonal Railways, which, in fact, have access to all the data required for taking such decisions. Since the Railway Board had taken on the role of decision-maker without depending on field data, the responsibility for performance against decisions could not obviously be thrust on the Zonal Railways. In the absence of clear demarcation of roles, responsibility for poor performance as reflected in poor occupancy of trains and increase in losses on running of additional train services could not be fixed.

1.16.2 Lack of provisions for clear performance expectations

Related to the previous audit observation is the finding that there were no clear performance expectations. While making the budget announcements regarding introduction of new trains and the extension of frequency and number of the existing trains, the Railway Board has not made an assessment or indicated the expected increase in number of passengers, passenger kilometers and earnings with reference to each of the budgetary announcements. Similarly, the impact of the changes in passenger fares introduced in 1998-99 and 2002-2003 have not been quantified. The absence of any estimation/ target setting is again an indication of a poor accountability framework.

The estimates and target setting are at a very gross/ macro level and the nature and level of display of estimates in explanatory memoranda to the budget are not directly relatable to the changes introduced.

1.16.3 No provision for credible reporting

While the Zonal Offices prepare a number of reports and submit the same to the Railway Board, there is no credible reporting mechanism to inform the Parliament the impact of all the changes introduced in a

particular budget. Furthermore, the utility of some of the reports, considering the efforts put to compiling them, is questionable. The mammoth census exercise of passengers travelling on all passenger trains conducted twice every year in the month of May and November on each of the Zonal Railways is a typical example of such reports. This exercise is being done for all categories of coaches in every train. As the information for reserved passengers in all classes is available in the PRS and class-wise occupancy of trains is generated, the census exercise in respect of reserved passengers is duplication of whole exercise resulting in wastage of manpower and time spent in doing so. So far as the exercise done in respect of ordinary passenger trains is concerned the same has not been put to any effective use as no adjustments are made in running of ordinary passenger trains as already brought out in Audit observations made in paragraph 1.12.2.

The performance expectations are indicated at a very macro level and achievement/ non-achievement against these expectations are reckoned simply during the Revised Estimates stage of budgeting by increasing/ decreasing the estimates. But adequate information on performance that falls short of expectations is not reported to the Parliament and, therefore, neither can the Parliament nor the public outside Government monitor and challenge whether spending was fair, proper and consistent with good stewardship and decisions to change the passenger fares structure were well founded. There is a clear need of transparency and credible reporting so that Ministers and Managers of the services behave in ways that can withstand public scrutiny.

1.16.4 Ineffective provisions for review and adjustments

Provisions exist for management at all levels to review and make adjustments but these have not been effectively used. Audit review of the introduction of Jan Shatabdi, for instance, shows that some Zonal Railways have reviewed and made adjustments. But the monitoring of this arrangement at the apex level viz. the Railway Board is weak because of which services that need to be removed or curtailed still continue without change adding to the losses incurred by the Railways in running passenger services.

1.16.5 Accountability in implementing Expert Committees' recommendations

Accountability in implementing recommendations of the Expert Committees is necessary. Audit examined specifically the sense of accountability displayed by the Railway Board in implementing the recommendations of the RFFC.

Out of 373 recommendations made by the RFFC, 63 pertain to passenger fares and policies related to passenger traffic. The status of implementation of these 63 recommendations is indicated in the following table:

Report No.9 of 2005 (Railways)

Accepted	13 (10 + 3) *
Accepted in principle	16
Not accepted	15
Noted	6
Finalised so far	50
Balance under examination with various Directorates	14
Total	63 + 1 **

* Three recommendations accepted with modifications.

** Out of two parts of the recommendation, only one part has been accepted.

Some of the recommendations have been discussed in detail in the preceding paragraphs. As can be seen, no time frame was set for implementing the recommendations, which is an indication of weak accountability framework. As a result, several recommendations were implemented belatedly causing avoidable loss of earnings and some are yet to be implemented.

Some of the recommendations were rejected without putting forth any valid arguments and these decisions have not been open to any public scrutiny (e.g. the Recommendation No.136 regarding displaying details of social costs in the Explanatory Memoranda of the Budget, Recommendation No.173 regarding fixing fares for Rajdhani and Shatabdi trains 20 per cent higher than Mail/ Express trains, Recommendation Nos.196 and 197 regarding fixing the maximum age limit for free travel to 3 years and charging 75 per cent of the fare for children where separate berth is allotted, Recommendation No.201 regarding getting the Department of Parliamentary Affairs to bear the cost of free passes issued to Ex-MPs etc.).

In many cases, where recommendations were accepted in principle, no concrete action was initiated nor any shift in policy introduced, giving a distinct impression that the entire exercise was farcical and only on paper. For example, Recommendation No.135 about not treating commercial deficit due to below cost pricing as a social burden needing subsidisation was accepted in principle with the remarks that the Indian Railways does not resort to below cost pricing to attract additional traffic. The Audit observations discussed in the preceding paragraphs have amply proved that the Railways continue to resort to below cost pricing.

Again, Recommendation Nos. 139 and 192 about withdrawing concessions to various categories were accepted in principle with remarks that the element of concession will be reduced wherever possible and concession restricted to 25 per cent in second class. In reality, the Railway Board has only been adding to the list rather than reducing the number of categories entitled for concessions and concessions continue to be about 50 per cent and in some cases even 75 per cent in classes other than second class.

All these are reflection of lack of accountability framework.

The Rakesh Mohan Committee has submitted its report in 2001 and it is still being examined. There is a need to set up a suitable accountability framework to study, accept and implement the recommendations, which will ultimately serve to improve the financial interests of the Railways.

1.17 Conclusion

Attempts at rationalisation of passenger fares have so far been half hearted measures taken much after the identification of problems and related solutions by various Expert Committees set up for the purpose. The revision of fare structure has been carried out from time to time ignoring crucial information about the distance travelled, class and type of train services preferred by the travelling public. As a result of this, the passenger earnings have not been commensurate with the cost of operations. The commercial deficits due to below cost pricing have always been explained away as the social burden that the Railways have to bear. Introduction of new train services also has been guided by political considerations and so called socioeconomic obligations and not based on any traffic surveys or financial appraisals. The decisions taken by the Railways have not been open to public scrutiny by the Parliament or outsiders due to poor accountability framework existing in the Railways' set up.

1.18 Recommendations

- The ordinary second class passengers (non-suburban other than season ticket holders) account for 60.09 per cent of the total non-suburban passengers but the earning from them account for only 11.55 per cent. This indicates the need for upward revision of second class ordinary fares to keep pace with the rising prices and also to bring them at par with road fares.
- The existing fare table requires review and revision to remove anomalies in fares of all classes at various distance slabs where the prescribed relativity has not been maintained.
- RFFC's recommendations regarding charging of 10 and 20 per cent higher fares than the Mail/ Express train fares in respect of all Inter City and Rajdhani trains respectively should be implemented without delay as the same is justified on grounds of benefit of better timings and facilities.
- The concept of off peak fares may be extended to other trains as this has proved advantageous in Rajdhani trains.
- RFFC's recommendations regarding restricting the amount of concession to 50 per cent, withdrawing concessions granted to delegates of various profit earning organisations, charging for children above the age of three years, charging of 75 per cent fare in respect of children provided with berth and getting the Department of Parliamentary Affairs to bear the expenditure on

account of concession given to ex-MPs require early implementation.

- Reservation quotas of stations should be reviewed periodically for making suitable adjustments for optimum utilisation of the capacity of trains.
- The running of passenger trains needs comprehensive review and withdrawal of services in sections where more than the required trains are running.
- The decision for introduction of new trains, extension of run and increase in frequency of existing trains should be taken only after due and comprehensive traffic studies and cost analysis to avoid losses.
- All budgetary announcements regarding change of passenger fares, introduction of new train services etc. should be supported by specific estimates regarding financial impact on earnings and achievements with regard to specific estimates should be highlighted in the Railways' annual reports and budget documents of the subsequent year to ensure higher accountability.
- Time bound programme for implementation of Expert Committee reports should be drawn up and performance against the same should be closely monitored in order to improve accountability.