Chapter 1: Traffic - Commercial and Operations

Traffic Department comprises two main streams – Commercial and Operations. The commercial department is responsible for marketing provided by a railway, for developing traffic, improving quality of service provided to customers and regulating tariffs of passenger, freight and other coaching traffic and monitoring their collection, accountal and remittance.

The Operating department is responsible for planning of transportation services – both long-term and short-term, managing day to day running of trains including their time tabling, ensuring availability and proper maintenance of rolling stock to meet the expected demand and conditions for safe running of trains.

At the Railway Board level, the traffic department is headed by Member (Traffic), who is assisted by Additional Members/ Advisors. At the zonal level, the operating and commercial departments are headed by Chief Operations Manager (COM) and Chief Commercial Manager (CCM). At the divisional level, the operating and commercial departments are headed by Senior Divisional Operations Manager (Sr. DOM) and Senior Divisional Commercial Manager (Sr. DCM).

As the planning and realization of the anticipated revenue potential from commercial publicity primarily devolves on the Traffic Department, a thematic study on 'Commercial Publicity in Indian Railways' was conducted by audit during May to August 2012 covering the period 2009-10 to 2011-12 to evaluate performance of this Department in realizing the anticipated revenue potential from commercial publicity. The policy directives, guidelines and instructions on Commercial Publicity issued by the Railway Board and Zonal Railways from time to time, relevant records of earnings from Commercial Publicity maintained at Zonal and Divisional levels for three years i.e., 2009-10 to 2011-12 of Commercial, Mechanical and Engineering Departments at Zonal/Divisional Headquarters and at field units were examined. The examination also covered Joint Inspection by audit teams and railway officials of selected Stations, Trains, Coaching/Wagon Depots, Level Crossings to check status of implementation of policy/ directives, and actual utilization of available assets for Commercial Publicity. For this purpose, two Divisions and three Stations thereon, One Rajdhani/ Shatabdi Train, two Mail/Express Trains, two EMU/ DEMU/ MEMU rakes, two Level Crossings (LC) in the selected Divisions, two stations dealing with manual money receipt, one Coaching Depot and one Wagon Depot /Workshop in each Zonal Railway were selected for Joint Inspection for verifying implementation of action for commercial publicity.

This chapter contains the audit findings of the above thematic study.

Commercial Publicity in Indian Railways

Executive Summary

In order to augment the total revenue earnings potential of the Indian Railways, the Ministry of Railways set up a Task Force (1999) to submit recommendations on generation of resources from non-traditional sources which inter alias included earnings from commercial publicity. On the basis of recommendations of the Task Force (April 2000), Railway Board identified various media/assets like stations, trains, level crossing gates etc. for Commercial Publicity and issued broad guidelines to Zonal Railways for framing action plan. Subsequently, Railway Board issued a series of detailed instructions from May 2006 to January 2012 for exploitation of identified railway assets/ media for commercial publicity/ advertising.

A thematic study was conducted by audit during May to August 2012 covering period of 2009-10 to 2011-12 to evaluate performance of the Zonal Railways in realizing the anticipated revenue potential from commercial publicity.

The study revealed that the revenue projections set by the Railway Board on account of commercial publicity were not backed by assessment of market potential and earnings targets were set without associating the Zonal Railways. The Zonal Railways failed to make specific budget estimates in respect of commercial publicity earnings in absence of a specific head. This resulted in lack of commitment and under-performance on the part of the Zonal Railways leading to unsatisfactory growth in earnings through commercial publicity.

The lack of knowledge of the market potential resulted in limited response to tenders floated by Zonal Railways for advertising rights for divisions/ stations/ trains etc. The Zonal analysis of revenue generation through commercial publicity revealed uneven earnings across various asset classes. Assets like stations/trains were more used in comparison to Railway tickets, reservation forms/ charts etc. The study also revealed weak contract management in terms of deficient record maintenance resulting in non-execution of agreements in respect of contracts awarded with high risk of recoverability of outstanding licence fee and unauthorized displays beyond expiry of the contract period.

1.1 Introduction

In order to generate additional resources to overcome budgetary constraints of the Indian Railways, the Hon'ble Minister of Railways had set up a Task Force under the Chairmanship of Member Traffic in April 2000 which inter alia, considered various avenues under 'Commercial Publicity' and identified freight wagons, Railway stations, passenger trains, railway crossings, sites along railway track, etc as potential commercial advertising media. The Task Force had thus estimated a revenue potential of ₹100 crore under this head. The Railway Board, in pursuance of the recommendations of the Task Force, designated the Chief Commercial Manager (PS) as the nodal officer for co-ordination of all field efforts for realization of the target set at ₹100 crore and issued broad policy guidelines for basing action plan by the Zonal Railways (May 2000).

In view of the static growth of revenues under 'Commercial publicity', the Standing Committee on Railways in their 10th Report presented to the 14th Lok Sabha had urged (May 2005) the Railway Board to frame a comprehensive policy on marketing strategies for exploiting commercial potential by affording incentives to prospective advertisers. The Board subsequently issued a series of instructions during May 2006 to January 2012 identifying various media vehicles which included guidelines for selection of advertising sites. During 2007-08 to 2011-12, the revenue mobilization through commercial publicity had crossed ₹100 crore but failed to sustain a clear momentum and hovered within the overall range of ₹ 150 crore to ₹ 200 crore (figure below). Revenue earnings remained substantially below the targets set.

1.2 Organizational Structure

Commercial Directorate of Railway Board is responsible for policy directions related to Commercial Publicity. At Zonal level, the Chief Commercial Manager (CCM) and at divisional level, DRM along with Sr. DCM/ DCM were responsible for implementation of the policy.

1.3 Audit Objectives

An earlier C&AG's Audit Report (Para 6.4.1 of Report No. CA19 of 2008-09) tabled in Parliament (24 July 2009) 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. Audit also noticed that the White Paper in Indian Railways (tabled in Parliament December 2009) by the then Minister of Railways had expressed a concern on the slow growth in earnings from commercial publicity due to poor success of new initiatives namely bulk right contracts, etc. while the income source constituted a substantial share of world rail systems. Audit therefore decided to evaluate the progress on actions taken during 2012-13 with the following issues in focus:

- Assessment of earnings potential and fixation of targets.
- Assessment of compliance of norms laid down by the Board from time to time by the Zonal Railways in regard to the management of contracts for various advertising rights.

1.4 Audit criteria, methodology and scope

The policy directives, guidelines and instructions on Commercial Publicity issued by the Railway Board and Zonal Railways from time to time, relevant records of earnings from Commercial Publicity maintained at Zonal and Divisional levels for three years i.e., 2009-10 to 2011-12 of Commercial, Mechanical and Engineering Departments at Zonal/Divisional Headquarters and at field units were examined. The examination also covered Joint Inspection by audit teams and railway officials of selected Stations, Trains, Coaching/Wagon Depots, Level Crossings to check status of implementation of policy/ directives, and actual utilization of available assets for Commercial Publicity.

1.5 Sample selection

Two Divisions and three Stations thereon, One Rajdhani/ Shatabdi Train, two Mail/Express Trains, two EMU/ DEMU/ MEMU rakes, two Level Crossings (LC) in the selected Divisions, two stations dealing with manual money receipt, one Coaching Depot and one Wagon Depot /Workshop in each Zonal Railway were selected for Joint Inspection for verifying implementation of action for commercial publicity on the above assets.

1.6 Audit findings

1.6.1 Failure in conducting assessment on revenue potential

Review of the records of the Zonal Railways and the Board revealed that the revenue projections and the targets set for Zonal Railways (Para 7.2) were not grounded on any assessment/studies of the market potential as regards commercial publicity through railway assets. Despite a decision in General Managers' Conference in December 2007 that deliberated the recommendations of the Task Force (2000), no external agency /consultants were hired to assess the revenue potential through advertising /publicity media.

Audit also found that the lack of specific budgetary head for this category of earnings resulted in diluted accountability. As per codal provision (Paragraph 313 of Indian Railway Financial Code), budget estimates of gross earnings and expenditure are required to be prepared based on previous year or other factors as considered relevant and foreseeable for projections. Earnings from commercial publicity are clubbed under 'Sundry earnings' which subsume various receipts from miscellaneous sources. The Zonal Railways, in the absence of a specific head, did not provide for expected earnings in the budget estimates submitted to the Railway Board for the review period.

Thus, in the absence of proper demand assessment by the Zonal Railways, the targets/projections set by the Board bore no relevance to the actual revenue potential and were ineffective in guiding actual performance.

1.6.2 Underachievement of targets

The Zone-wise targets of earnings fixed by the Railway Board vis-à-vis actual earnings for the period 2009-10 to 2011-12 reflected, in general, sharp under-achievement by a wide margin (Table Below):

₹ in crore

Railways	2009-10			2010-11			2011-12		
	Target	Actual earning	shortfall (%)	Target	Actual earning	shortfall (%)	Target	Actual earning	shortfall (%)
CR	69.26	30.27	56.30	193.00	34.22	82.27	64.40	33.97	47.25
ER	14.83	5.80	60.89	36.00	9.41	73.86	15.50	7.76	49.94
ECR	4.84	0.89	81.61	15.00	0.95	93.67	6.20	3.16	49.03
ECoR	3.83	4.03	0.00	15.00	3.97	73.53	6.00	2.54	57.67
NR	63.25	40.84	35.43	210.00	32.92	84.32	85.50	25.51	70.16
NCR	4.41	2.67	39.46	14.00	3.22	77.00	5.90	3.44	41.69
NER	3.26	1.64	49.69	9.00	2.14	76.22	4.00	2.45	38.75
NFR	1.71	0.77	54.97	5.00	0.27	94.60	1.80	1.10	38.89
NWR	9.13	4.36	52.25	25.00	3.83	84.68	6.90	3.89	43.62
SR	42.75	18.86	55.88	120.00	25.29	78.92	52.90	26.11	50.64
SCR	13.66	5.20	61.93	39.00	8.93	77.10	17.60	9.55	45.74
SER	3.55	2.61	26.48	15.00	3.16	78.93	6.50	2.64	59.38
SECR	2.88	0.55	80.90	7.00	1.30	81.43	3.30	1.29	60.91
SWR	11.04	4.52	59.06	30.00	3.72	87.60	17.00	7.25	57.35
WR	106.94	36.24	66.11	253.00	39.97	84.20	79.30	49.77	37.24
WCR	4.66	1.80	61.37	14.00	2.38	83.00	4.90	3.22	34.29
Metro[1]	16.60	9.15	44.87	22.30	12.02	46.09	22.30	11.49	48.48
IR	**376.60**	**170.20**	**52.72**	**1022.30**	**187.70**	**81.23**	**400.00**	**195.14**	**51.22**

- The average growth rate of earnings during the period 2009-12 averaged 7.44 per cent. In 2011-12, the growth rate was only 3.96 per cent indicating a lack of focus on generating revenue through commercial publicity.

[1] *Metro Railway was given the status of Zonal Railway in October 2010 accordingly targets were fixed by the Railway Board for Metro Railway in 2011-12 Earlier targets were fixed by the Chief Commercial Manager (CCM)/Metro Rail*

- Overall shortfall against targets for Indian Railways during 2009-10 to 2011-12 remained more than 51 per cent;
- The major shares of the earnings were accounted for by WR, NR and SR during the three year period. Furthermore, the share of WR had marginally increased from 21 per cent to 25 per cent, while the share of NR had declined steeply from 24 per cent to 13 per cent owing to a declining trend in absolute terms.
- There was a significant shortfall in earnings (>50 per cent vis-a-vis target) on ECoR, NR, SR, SER, SECR and SWR during 2011-12, NFR registering 95 per cent(approx.) during 2010-11

Not only the actual performance reflected inadequate monitoring at Zonal/Railway Board level, but also the targets fixed showed a huge year on year variation and reflected an ad-hoc approach.

In this context, it is pertinent to mention that the General Manager (WR) had brought to the notice of the Member (Traffic) on May 2010 that the targets set especially for 2010-11 were unrealistic. As the targets were entirely set by the Railway Board without Zonal involvement, there was lack of commitment and under- performance on the part of Zonal Railways as brought out in the succeeding paragraphs.

The Railway Board had replied to an audit observation (July 2012) that the target of ₹1000 crore during (2010-11) had been deliberately set much above the realistic levels for enhancing actual performance. However, analysis of actual performance with regard to various assets identified for commercial publicity by the Board clearly revealed weak monitoring and indifferent/ineffective compliance on the part of Zonal Railways as discussed in succeeding paragraphs.

1.6.3 Exploitation of various media for commercial publicity

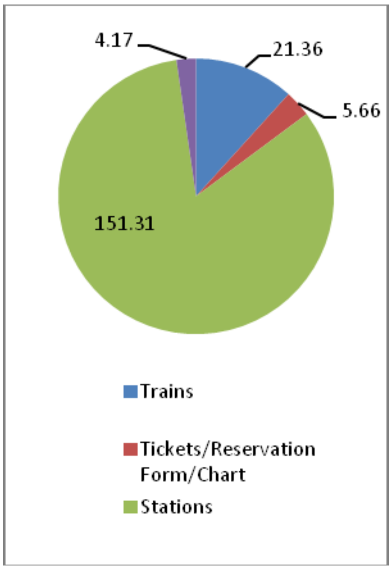
For framing of action plan by the Zonal Railways for commercial publicity, Railway Board issued (May 2000) broad guidelines for use of various areas such as stations, trains, level crossings, approaches to major stations that subsequently covered freight wagons, ticket / reservation charts, time tables/ fare repeater, etc.

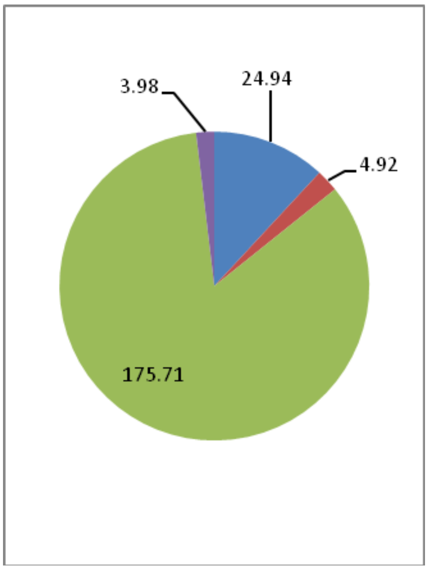
Analysis of the total aggregate earnings from commercial publicity during 2009-10 to 2011-12 revealed that certain assets namely tickets/ charts/other miscellaneous including level crossings, etc, accounted for only four per cent of total earnings while stations predictably accounted for the bulk share i.e.85 per cent and trains 11 per cent (Pie -Chart). Further, the Zonal analysis year on year reflected an uneven trend in growth of earnings across various asset classes. It can be reasonably concluded that there was much potential that remained to be exploited in terms of a more even distribution of earnings share.

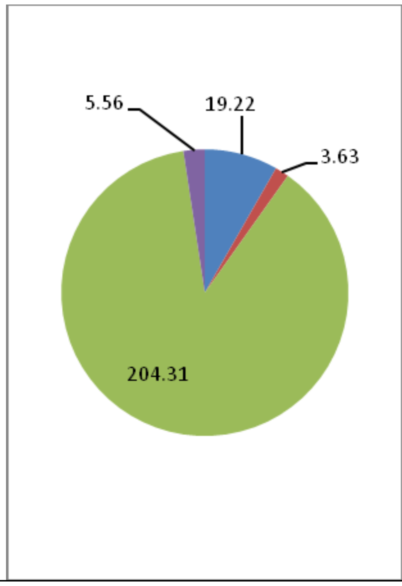
Annexure I

Head wise earnings on Indian Railways

(₹ in crore)







2009-10	2010-11	2011-12

Further scrutiny of records in respect of each assets use for commercial publicity revealed poor compliance of policy guidelines leading to substantial under utilization of publicity media.

1.6.3.1 Master Plans for stations

The Task Force constituted by the Board had identified 100 stations for focus on commercial publicity considering their passenger earnings turnover. However, the Railway Board directed the Zonal Railways (May 2000) to develop a Master Plan for all stations to facilitate award of bulk contracts/ sole advertisement rights at agreed locations. This master plan would depict the potential sites for exploitation of various assets for commercial publicity. Subsequently, Railway Board had advised (May 2006) Zonal Railways to give bulk advertisement rights on pilot basis to one division of each Railway and appraise the results for extending the same to other divisions. These directions, inter alia, provided broad guidance on award of bulk publicity contracts pertaining to the entire division.

Audit conducted a sample study of 32 divisions during 2012-13 which included 16 divisions identified for conducting pilot study. This revealed that in seven Railways, the master plan was available in 833 stations whereas in ten Railways including Metro Railway Kolkata no master plans were developed for stations in any of the selected divisions including the pilot divisions. Further scrutiny revealed that none of these plans were complete as per directives of the Board as these plans failed to depict in full sites available for Hoarding, Video Walls, Electronic Displays, Fare Repeaters, Plasma TV's, PA Systems, Wall Paintings, Track Divider etc.

The following paragraphs bring out the state of exploitation of specified assets used for publicity at the stations.

1.6.3.2 Publicity at Stations

The broad guidelines (May 2000) identified specific areas for undertaking commercial publicity namely advertisements at stations, trains, level crossings, freight wagons, etc. and laid down instructions for framing of proposals for display of advertisements/ signages etc.

Audit observed that Railway Board had adopted a twin strategy i.e. to exploit the identified advertising sites individually or to market cluster of stations/ station as a whole/ Division as a whole for award of bulk advertising rights. The Board Policy (May 2006) also stipulated that in case of bulk advertising contracts, individual sites may not be awarded and existing contracts, if any, need not be extended. The observations/ findings arising from audit of records of individual contracts of hoardings/ electronic display etc. are discussed in the following sub-paragraphs. Audit findings on bulk advertising rights of stations/ divisions are incorporated separately in Para 7.4.1 featuring under Deficiencies in Contracts Management.

(i) Hoardings

Audit observed that total revenue collection (₹25.62 crore) from hoardings during 2009-10 to 2011-12 were contributed by nine Zonal Railways (ECoR, NR, NCR, NER, SR, SER, SWR, SECR and Metro) from mainly display in and around Goods sheds/ parcel offices, circulating areas of stations, railway tracks etc. Audit also observed that each of these Railways had awarded contracts in respect of only one of the above identified sites while Metro Railway, Kolkata exploited 23 station premises and utilized 36805 sq. ft. out of the total identified area of 96912 sq. ft.

(ii) Plasma TV/LCD, CCTV, Fare repeaters

Among various identifiable assets, electronic media/display such as Plasma TV/LCD installed for passenger convenience in the circulating areas and waiting rooms of the stations visited by the public held considerable scope for publicity. Audit found that there was much scope for better exploitation of the electronic display media as highlighted below:

- Out of 2500 reservation/booking offices on 24 selected Divisions, plasma TV had been provided only in 19 booking offices of five Zonal Railways (CR, NR, NWR, SR and WR) which earned ₹4.57 crore through advertisements.

- Modes like CCTV earned revenue of ₹9.06 crore through advertisements on 11 Zonal Railways[2] while these remained unutilized on six Zonal Railways (NCR, NR, NWR, NFR, WR and WCR).
- Fare Repeaters remained unutilized on 12 Zonal Railways[3]. However, four Zonal Railways (SR, SER, SCR and SWR) were able to generate revenue of ₹0.33 crore by utilizing this media.

(iii) Public Address System

Among other media, Railway Board had highlighted (May 2006) use of public address systems used for dissemination of information to the travelling public through use of short jingle of products in between announcements. Audit noticed that though 643 stations were identified over 10 Zonal Railways[4], this media was used only on 79 stations on five Railways, earning revenue of ₹1.42 crore. (Table below)

Railway	Total No of station identified	Total No. of station awarded for PAS	Earnings (₹ in crore)
CR	2	2	0.18
ER	388	22	0.28
NER	49	10	0.06
SR	18	17	0.69
WR	28	28	0.21
Total			**1.42**

In reply to audit, East Coast Railway Administration had contended that specific guidelines were not available and moreover, the use of the media would hamper railway information to passengers. It was not clear whether this feedback was shared with the Railway Board by the Zonal Railways; however, it was evident that the Board had not adequately monitored the implementation of its directives in view of negligible earnings resulting from low exploitation.

1.6.3.3 Publicity through trains

(i) Vinyl wrapping of coaches

Railway Board vide its guidelines (May 2006 and March 2007) advised Zonal Railways to use the technique of wrapping entire coach using vinyl stickers vis-à-vis display of advertisement boards inside the coaches on a pilot basis through open competitive bidding on selected mail/express, Rajdhani/Shatabdi and suburban trains.

However, Audit noticed that the compliance of above directives for implementation of this pilot project was not satisfactory over Zonal Railways as analyzed in following paragraphs.

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[2] CR, ER, ECR, ECoR, NER, SR, SCR, SER, SWR, SECR and Metro Railways
[3] CR, ER, ECR, ECoR, NR, NWR, NER, NCR, NFR, WR, SECR & WCR
[4] CR, ER, ECR, NCR, NER, SR, SCR, SER, SWR & WR

Premier Trains (Rajdhani/ Shatabdi/Mail/Express trains)

Twelve Railways identified 294 trains for vinyl wrapping, but contracts were awarded only in respect of 76 trains. Out of the remaining, though Expression of Interest (EOI) was called for in respect of 88 trains, tenders could not be finalized mainly due to non-receipt of offer. In other three Railways (ECR, NWR and SECR), 19 trains were identified but EOI was called for only by two Railways (NWR, SECR) in respect of two trains. These could not be finalized on account of no response and ineligibility of the applicant.

Passenger Trains

Out of 168 trains identified by eight Railways, contracts were awarded only by six Railways (ER, ECoR, NCR, SR, SCR and WCR) in 37 trains. EOI were called for in 19 trains by three Railways (ECoR, SCR and SWR) but could not be finalized due to poor response. Audit also noticed that in six Railways (CR, ECR, NR, NWR, NER, NFR and SECR) and in Metro Railway, not a single train was identified for publicity.

Suburban Trains

The position in respect of suburban trains was little better as eight Railways (CR, ER, ECR, SR, SCR, SER, WR and SECR) had successfully awarded contracts in 112 trains whereas six other Railways (NR, NCR, NWR, NER, NFR, WCR) and Metro Railway Kolkata did not initiate any EOI and two Zonal Railways (ECoR and SWR) did not receive any offer in response to EOI.

The summarized position of identification of trains for the publicity vis-à-vis contracts awarded over Zonal Railways is tabulated below

(₹ in crore)

Year	Premier Train			Passenger Trains			Suburban Train (EMU/ DEMU/MEMU)		
	No. of trains identified	No. of trains awarded	Contract Value	No. of trains identified	No. of trains awarded	Contract Value	No. of trains identified	No. of trains awarded	Contract Value
2009-10	170	22	18.32	109	10	0.22	201	8	3.16
2010-11	48	26	2.23	47	14	0.32	240	38	3.23
2011-12	76	28	3.94	12	13	0.50	242	66	5.23
Total	**294**	**76**	**24.49**	**168**	**37**	**1.04**	**683**	**112**	**11.62**

Analysis of earnings above indicates that publicity through vinyl wrapping was more successful in Premier and Suburban trains as compared to Passenger trains, as these categories deal with distinct market segments.

(ii) Publicity through freight wagons

In view of high visibility potential of the freight wagons as they move across the whole country including remote areas, Railway Board advised (April 2000) Zonal Railway to utilize freight wagons by inviting 'Expression of Interest' for advertisements on entire wagons as well as in area nominated for the purpose, during intervals between POH of wagons.

Audit noticed out of 1,35,342 freight wagons POHed in Railway workshops during 2009-10 to 2011-12, only SCR and WCR had identified 4754 freight wagons and only WCR could award contracts (₹0.54 crore) for 600 wagons for one year.

- In SER, Tata Steel Limited had, responded (January 2012) to the expression of interest called (November 2011) for advertisement through freight wagons in Chakradharpur division. The same was not acted upon by Railway Administration till March 2012.
- On Ahmedabad division of WR, a proposal for pasting of advertisement stickers on freight wagons was not accepted on the ground that Railway Board guidelines allow publicity only on wagons during POH in workshop. Ahmedabad division being one of the major goods loading points, there is huge potential for the said media.
- Railway authorities at Dahod Workshop of WR contended that there were no directions from the Zonal Railway in the matter.

The above indicates the lack of interest by the Railway Administrations in promoting commercial publicity. Further, the Railway Board also needs to interact with the Railway Administration for modifying guidelines if necessary.

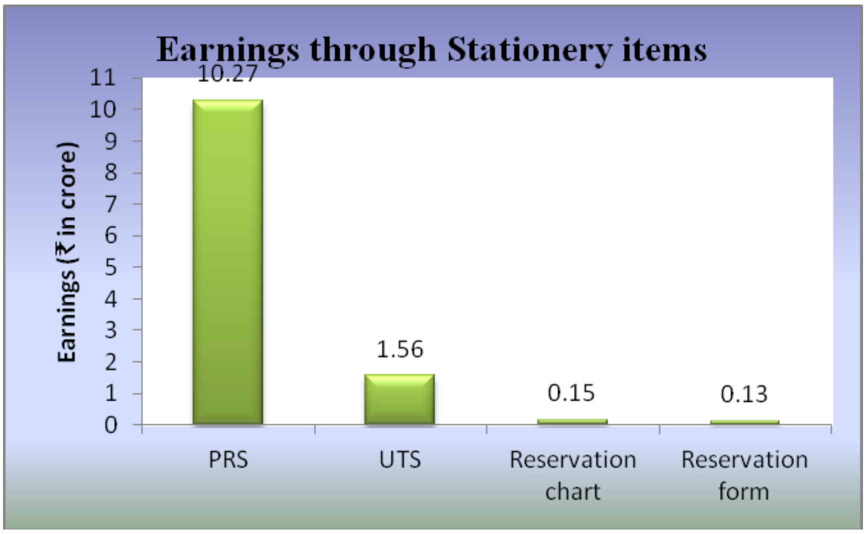
(iii) Branding of Special Train

Railway Board desired (May 2007) that Special Trains i.e. Summer/Puja/Winter/ Holiday Special may be exploited fully by branding them. Further, Railway Board clarified (February 2008) that branding of trains should be tried with the annual licence fee of not less than ₹0.50 crore for intra Railway regular trains and ₹1.00 crore for inter Railway premier trains. Audit noticed that in a solitary case in the case of ECoR, an offer for branding a special train (Puri -Sambalpur Intercity Express) for one year at an annual licence fee of ₹0.13 crore could not be finalized as the amount was less than the prescribed minimum limit of ₹0.50 crore. ECoR administration had requested Railway Board (October 2008) to consider the matter for ratification but the Railway Board failed to respond.

1.6.3.4 Publicity through stationery items

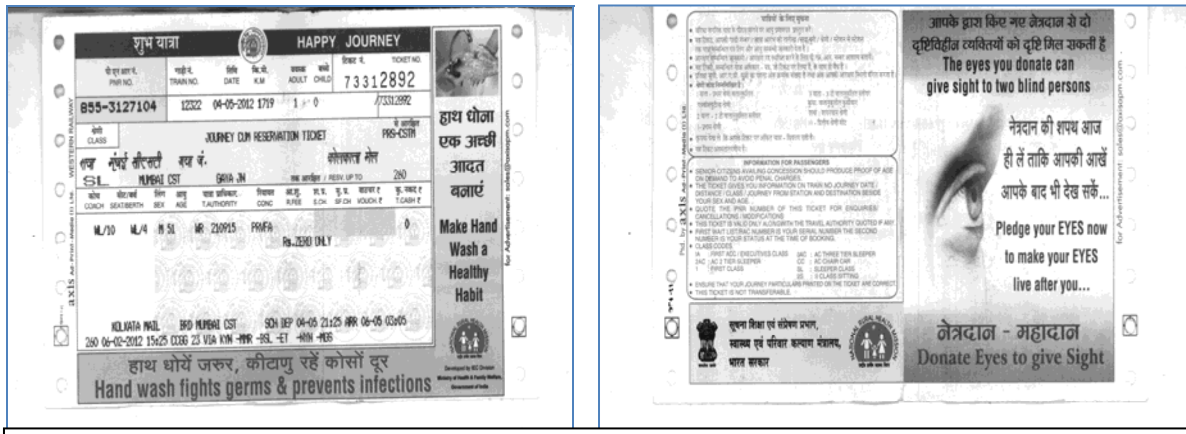
For exploitation of PRS/UTS tickets, reservations charts/ forms for commercial publicity, Railway Board issued a series of guidelines during November 2006 to November 2007. After reviewing the progress of commercial publicity, Railway Board further directed (November 2007) that the reserve price for open tenders should be so fixed that the cost of pre-printed Blank Stationery and cost of printing of the advertisement payable by the Railways was covered and net earnings accrued to the Railways.

The graph below highlighted that about 85 per cent of total revenues earned from advertising through stationery items (₹12.11 crore) during the three year period was accounted for by PRS tickets.



Further, during analysis of 16 Zonal Railways, Audit noticed:

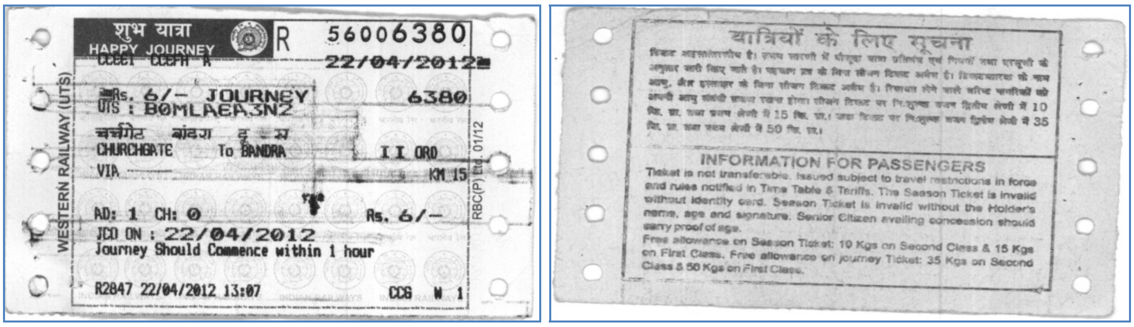
- Thirteen (13) Zonal Railways[5] had reported earnings of ₹10.27 crore from PRS tickets whereas in other three Railways (ECR, ECoR & NER) no earnings were reported.



Front & back of PRS ticket depicting paid advertisements on both sides

- Only seven Zonal Railways (CR, NR, NWR, SR, SCR, SWR & WR) reported earnings of a meager amount of ₹ 1.56 crore from UTS tickets despite the fact that Railways had spent an amount of ₹35.09 crore on printing/procurement of UTS tickets.

[5] (CR, ER, NR, NCR, NFR, NWR, SR, SCR, SER, SWR, WR, WCR & SECR)



Front & back of a UTS ticket of WR, leaving no space for advertisement, despite Railway Board's order (August 2007) for increasing the size to create space for advertisements

- In respect of reservations forms/charts, seven Zonal Railways (CR, ECR, NWR, SR, SCR, SWR and WR) reported earnings of ₹ 0.28 crore only whereas remaining Railways did not exploit this source.

Audit also noticed that with the exception of three Zonal Railways (SR, SER and SECR) regular reports on mode of tender finalization were not being submitted to the Railway Board. Besides, five Zonal Railways (NCR, NER, NFR, SCR, WCR) had not furnished the requisite report to Railway Board on progress of compliance of the guidelines in any of the year during review period as per the advise of the Board; however, the latter did not appear to have followed up to ascertain the reasons for poor performance/compliance.

Annexure II

1.6.3.5 Publicity at Level Crossing gate

Railway Board issued policy guidelines (May 2000) for inviting private participation in manning of unmanned LC gates in lieu of advertising rights on one or more gates and expected to save approximate ₹10 laks per LC as a one-time cost. The policy had contemplated that the maintenance cost of the LCs will be borne by the Railways. Audit found that Zonal Railways had carried out manning of LC gates at a total cost of ₹ 74.31 crore during 2009-10 to 2011-12. No efforts were made to invite private participation.

In response to an earlier audit observation (C&AG Report – Union Govt. – Railways No.CA19 of 2008-09) tabled in the Parliament on 24 July 2009, the Board had issued fresh instructions (June 2010) calling for action taken reports on the utilization of the LC gates. However, none of the Zonal Railways had complied with the directions in view of the fact that no expressions of interest were invited/ tenders floated during the period of review. No follow-up by the Board of its own instructions was in evidence.

1.6.4 Deficiencies in contract management

Audit examined the relevant records concerning the implementation of various guideline issued by the Railway Board in respect of awarding contracts for advertising rights for use of various railway assets and found that the general/ poor compliance, discussed in the preceding paragraphs, was principally due to the inadequate planning of sites before awarding of tenders, fixation of reserve price, inadequate market surveys, etc. The following paragraphs highlight some of the instances of weak management of contracts.

1.6.4.1 Contract of Bulk rights for division and cluster of stations

Out of 69 divisions over IR (excluding Metro Rly, Kolkata), a sample of 32 divisions was taken for study in respect of bulk rights contract for the entire division/ cluster of stations.

Zonal Railways were advised (May 2006) to call open tenders for awarding bulk rights of publicity for an entire division. The publicity rights would include all types of media including hoardings, glow/neon signs, video walls, different forms of electronic display, unipole, trivision, showcases, balloons, advertising near LC gates, approaches to stations etc. Zonal Railways were also directed to implement this scheme on pilot basis in one Division and reserve price for this contract was to be fixed at three times the actual publicity earning of entire Division during the immediate preceeding financial year with escalation of 10 per cent, 15 per cent, 20 per cent and 25 per cent respectively over that of previous year. Railway Board further extended (June 2007) this scheme on other divisions in addition to the division identified on the pilot project basis.

Audit noticed that out of 32 divisions, only in Delhi division of NR, sole contract rights for the entire division was awarded (October 2007) for five years at a contract value of ₹22.86 crore. In addition, in Ajmer division of NWR (Ajmer division was not included in sample selection), bulk contract was successfully awarded (July 2009) at ₹0.70 crore for five years.

Moreover, in respect of remaining divisions (31), in 15 divisions[6] of 12 Railways, no efforts were made to even call tender for bulk rights of the entire division. In respect of other 16 divisions of 12 Rlys[7], though efforts were initiated to award contracts these were not finalized due to no/poor response, high reserve price, non-fulfillment of eligibility criteria etc., as tabulated below

Divisions – Rlys	Particulars of contract	Reasons for non-finalization
Mumbai – CR	Open tender for bulk advertisement rights for Mumbai Division was called (Aug 2008 - RP of ₹ 68 crore for seven years). On retendering of the above contract (March 2009- RP of ₹ 34 crore) only offer was received	No offer was received. Contract was discharged on technical grounds (clause of service tax and non-availability of clear site)
Pune – CR	Tender was opened (2010-11) for entire division.	No offer was received.
Sealdah – ER	Tender for bulk rights for entire division was floated each year (2009-10 to 2011-12).	No offer was received. In minutes of meetings it was recorded that high reserve price was one of the reasons for poor response.
Danapur – ECR	Tenders were floated during 2009-10, 2010-11 and 2011-12 (two times each year).	No offer was received in any of two years.
Khurda Road – ECoR	Tender for bulk rights for entire division was opened (July 2007) with reserve price of ₹1.53 crore (three times of actual earning of previous year).	Tender was discharged as the negotiated rate of ₹0.84 crore quoted by the highest bidder was less than the reserve price

[6] Howrah, Samastipur, Waltair, Lucknow (NR), Jodhpur, Lucknow (NER), Katihar, Lumbding, Kharagpur, Chakradharpur, Mysore, Ahmedabad, Bhopal, Jabalpur, Bilaspur
[7] CR, ER, ECR, ECoR, NCR, NWR, NER, SR, SER, SCR, SWR, SECR

Jhansi – NCR	Tender was floated for entire division in Nov. 2007).	No offer was received.
Allahabad – NCR	Tender was floated for entire division (Feb 2010) with reserve price of ₹17 crore.	No offer was received.
Jaipur – NWR	Tenders for bulk rights for entire Division was though invited (October 2006) but offer of ₹3.98 crore was not accepted	Tender was discharged on the ground such as Railway Board policy not defining the earnest money/Security deposit to be taken from the tenderer, single valid offer not appearing to be a proper response, space to be provided to the party for different areas not being clarified and non-definition of size of hoardings etc.
Izzatnagar – NER	Bulk rights tenders were floated for six times during 2009-10 to 2011-12 but could not be finalized.	No offer was received.
Chennai - SR	Tenders were invited twice in September 2006 at Reserve Price of ₹30.54 crore (five years) and in October 2007 at Reserve Price of ₹78 crore (five years). Reasons for this substantial increase in reserve price not made available to Audit	No offer was received as the reserve price was substantially increased.
Trivendrum - SR	Tenders were invited twice in July 2007 at Reserve Price of ₹6 crore with increase of 10,15, 20 and 25 per cent for the subsequent years and in January 2010 at Reserve Price of ₹5.92crore with increase of 10,15, 20 and 25 per cent for the subsequent years.	No offer was received.
Ranchi – SER	Tender for sole advertising rights over Ranchi division was first invited in July 2006 with a reserve price of ₹ 38.66 lakh, but no offer was received. Tender was further invited in October 2006 reducing the reserve price to ₹ 27.83 lakh, against which no offer was received. Against subsequent tender of February 2007, with same reserve price, no response was obtained.	No offer was received despite the fact that the tenders were floated three times during the year 2006 and 2007.
Secunderabad and Vijayawada – SCR	Tenders for bulk rights of divisions were invited in 2008-09, but the same were discharged. Thereafter, tenders were not invited for bulk rights of Divisions.	The contracts were discharged due to non fulfillment of eligibility criteria and lack of response
Bangalore – SWR	Tender was invited in August 2006.	Single offer was received and the same was discharged on technical grounds.
Raipur – SECR	Tenders were floated three times (RP – ₹5.12 crore)	Discharged as reserve price was very high

While in most of the cases, tenders were not finalized due to lack of response, audit observed that the Board had revised the criteria for fixation of reserve price frequently on the grounds of poor response as under:

- May 2006/ June 2007 - Reserve price equals three times earnings of entire division in immediate preceding year
- December 2008 - Reserve Price not less than 1.5 times of previous year's actual earnings

- April 2010 - Reserve price equals three times of the highest annual earnings of the Division during any of the three preceding years but should not be less than 1.5 times of the highest earnings during any of the three preceding years
- January 2012 - Reserve Price shall not be less than highest earnings during any of preceding three years
- August 2011 - Definition of earnings would exclude earnings from trains, tickets and onboard infotainment.

The frequent revisions in the criteria of reserve price underscored the fact that adequate market inputs had not been factored into for obtaining better response to tenders floated. Audit also observed that in three cases (ER, ECoR, SER) unrealistic quotation of reserve price was cited as ground for poor response/ tender getting discharged.

Railway Board, in its further orders (October 2006 and June 2007) clarified that in case of no response to sole advertisement rights for the entire division, a cluster of stations may be selected for award of sole advertisement rights or station as a whole may be given for sole advertisement rights.

With the same sample of 32 divisions, Audit noticed that in 13 divisions of nine Railways[8], not a single cluster of stations/ station was identified for the advertisement rights. However, out of overall 139 clusters of stations/ stations identified for publicity in 20 divisions of 12 Railways, only in respect of 82 clusters/ stations, contracts were awarded; the details of which are tabulated below:

Rly	Division	Total number of cluster of stations/ stations identified	Number of cluster of stations/ stations where tenders were finalized	Remarks
CR	Mumbai	7	5	
	Pune	6	0	
ER	Sealdah	7	0	Only offer received for one cluster could not be finalized as the reserve price were wrongly put as ₹0.52 crore instead of ₹1.06 crore and the offer was received for ₹0.61 crore.
	Howrah	8	8	Howrah station was divided into 8 zones, out of which, contracts for four Zones awarded to three different firms between Sept'07 and Oct'08 with total contract value of ₹3.50 crore for three year period and had expired in October 2011. Fresh tenders for these four zones could not be finalized (till July 2012).
ECR	Samastipur	10	9	
ECoR	Khurda Road and Waltair	18	9	

[8] ECR, ECoR, NR, NCR, NWR, NER, NFR, SCR, WCR

NWR	Jaipur	11	11	
NER	Lucknow	4	4	No cluster was formed. However, four stations of Lucknow division were under sole advertisement rights since March 2011. (contract value ₹1.22 crore)
SR	Chennai	1	1	No cluster was formed. However station wise rights were given (5 stations)
	Trivendrum	6	5	
SER	Kharagpur and Chakradharpur	7	5	
SWR	Bangalore and Mysore	6	6	
WR	Mumbai Central and Ahmedabad	44	15	Tenders were invited in June 2007 only for suburban Section (Churchgate to Dahanu Road) instead of entire BCT Division. The single offer received for ₹55.54 crore could not materialize due to dispute on making available vacant sites to the advertiser. Moreover, despite the approval of floating of tenders for cluster of stations of BCT division, delay in approval of cluster of stations (26 months) and subsequent delay in awarding the contract (24 months) led to loss of revenue.
WCR	Bhopal	1	1	One cluster of 10 stations was formed
SECR	Raipur and Bilaspur	3	3	
		4	4	
	Total	**143**	**86**	

The outcome of clustering/ station-wise approach was clearly more effective compared to a division whose jurisdiction covered a vast geographic span. Audit also observed that the reserve pricing in the case of clusters did not undergo frequent revision as in the case of Division as a whole. Also, the Zonal Railways had the leverage to fix a higher price than the highest annual earnings in the preceding three years in case the potential of the station/cluster so demanded.

Given the above outcome, the Railway Board should have followed up more pro-actively with the Zonal Railways on actions taken in respect of 57 stations/ clusters yet to be awarded for advertisement rights.

1.6.4.2 Non/short recovery of licence fees and delay in execution of agreements

The various advertising contracts that shall be entered into by the Zonal Railways shall incorporate escalation clause year on year, to the extent, prescribed by the Railway Board. Audit scrutiny of records of 32 Divisions of 16 Zonal Railways revealed that in 44 contract cases of three Railways (SR, SCR, WR), no agreements had been executed. Thus, there was a potential risk of non-recovery of license fee in respect of these contracts.

Further, in respect of 47 contract cases involving seven Railways (CR, NWR, SR, SCR, WCR, WR and SWR), license fee/ penalty on delayed payment to the tune of ₹ 7.75 crore were either not recovered or short recovered. The summarized position is tabulated below.

(₹ in crore)

Railway	Cases where license fee/ penalty on delayed payment were not recovered/ short recovered		Cases where agreements were not executed	
	No.	Amt. recoverable	No.	Contract Value
CR	9	1.31		
NWR	6	0.52		
SR	4	0.49	1	0.35
SCR	43	1.12	27	10.05
WCR	1	0.20		
WR	3	3.34	14	21.25
SWR	5	0.77		
Total	**71**	**7.75**	**42**	**31.65**

1.6.4.3 Delay in finalization of Tenders

As per Railway Board's order (May 2000), a proposal regarding commercial publicity should be cleared within a period of 45 days from conceptualization to finalization. This was extended from 45 to 90 days in November 2011 with the condition that ideally the tenders should be finalized at the earliest subject to maximum limit of 90 days. Specific reasons were to be recorded in case of delay beyond the stipulated time limit.

Audit noticed that on 16 Zonal Railways, 270 tender cases were finalized beyond the stipulated time limit of 45/90 days, details of which are tabulated as under:

Range of delay	No. of contract cases	Total Contract Value	Loss of revenue due to delay	Zonal Rlys involved
1 - 3 months	165	53.27	6.07	All Rlys
3 – 6 months	52	12.88	1.92	All Rlys
Above 6 months	5	0.67	0.20	NER, SER, WCR and Metro

Annexure III

1.6.5 Internal Control Mechanism

Internal controls help to ensure compliance of operations with applicable procedures, norms and regulations for economical, efficient and effective realization of common goals and objectives.

Joint Inspections of Stations, Trains in Car Sheds/wagons depots conducted by Audit along with Railway officials revealed that there was poor compliance arising from poor monitoring of implementation of the Board’s instructions at various levels.

1.6.5.1 Deficient record management and unauthorized displays

As per Operating Manual, the Station Master is required to maintain a register showing full particulars of each advertisement exhibited at the station in the prescribed form. It is also mentioned in the Joint procedure orders of respective Railways (Western Railway - February 1994), advertisement register in the prescribed format incorporating details of payments, date of expiry/removal was to be maintained and checked regularly at station level and in case of any irregularity, immediate action for removal of unauthorized display should be taken and a report submitted that no expired/ unauthorized advertisement is on display.

During joint inspections of three stations of each Zonal Railway conducted by Audit during June to August 2012 in association with Railway officials, audit observed:

- Advertisement Registers had not been maintained by selected stations on seven Zonal Railways (CR, ER, NFR, SCR, SWR, WCR & WR). Further, on four Zonal Railways (ECoR, NER, SER & SECR) the Registers had not been maintained properly/ updated and checked by Sectional Commercial Movement Inspector (CMI). In respect of Surat station of WR, it was noticed that the Station Manager was not even aware of the requirement of maintaining the Advertising Register.
- On nine Zonal Railways[9], Hoarding/Boards were displayed even after the expiry of the currency of contract.
- On six Zonal Railways (CR, ER, NER, SCR WR, & SECR) there was excess display of advertisement material.
- On eight Zonal Railways (CR, ER, NER, NFR, SCR, SER, WR & SECR) illegal/unauthorized advertisements displayed at selected stations.

Unauthorized use of extra space (above window level) for advertisements in Coach on ER

[9] CR, ER, ECoR, NER, SR, SCR, SER, WR & SECR

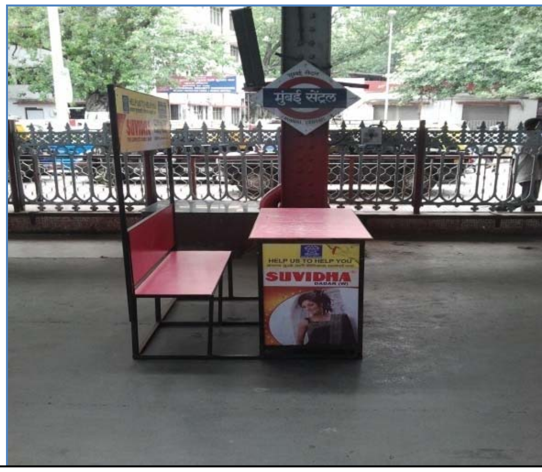
Advertisements displayed without mandatory details as mentioned in contract agreement at TATA NAGAR Station on SER

Advertisements displayed without mandatory details as mentioned in contract agreement above at Nallasopara Station on

Non- standard size Board on FOB at Andheri Station of WR

Illegal advertisement along the Railway Track at Bidhannagar Road on Eastern Railway

- ➢ Lack of monitoring of displays at Stations was evident from the Tables and Benches used by GRP at suburban stations of WR which carried unauthorized advertisement stickers of 'Suvidha Complete Family Shop' resulting in leakage of revenue. It was noticed that till date Railway Authority had neither granted any permission for such advertisements nor had objected to this illegal advertisement in Railway premises.



Benches provided by 'Suvidha Complete Family Shop' at Mumbai Central Station

- On Mumbai division (CR), three contracts for display of advertisements in EMU local trains had to be foreclosed. The Railway Administration could not provide clear site to the contractor due to unauthorized and illegal display of advertisements on the trains and Railways failed to prevent such displays resulting in loss of ₹0.73 crore.
- Illegal/unauthorized pasting of stickers/ posters were displayed inside the EMU / passenger trains in five Zonal Railways (CR, ER, SER, SR & WR). Though WR Administration claimed that action was taken in some cases, these efforts did not yield the desired result and menace continues unabated.

Some of the illegal advertisements pasted/displayed in EMU coaches of suburban trains on Mumbai Central Division.

The deficient record management and lack of vigilance, indicates a clear risk of possible collusion between Railway authorities and the illegal users/ treapassers resulting in unauthorized display of advertisement and leakage of revenue.

1.6.5.2 Non- inclusion of clause of Service Tax

In SWR, Railway Administration failed to incorporate a suitable clause regarding the payment of applicable service tax in the advertisement contracts in terms of Finance Act 1994. As a result, Railway Administration had been served with a demand notice for ₹1.76 crore towards service tax and penalty of equal amount not recovered from the contractor for the period from May 2006 to June 2009. The demand notice was yet to be settled with the Central Excise Authorities.

1.7 Conclusion

Commercial publicity from exploitation of railway assets is generally considered to be a rich source for augmenting total earnings of the railways considering that some of these assets are located in busy thoroughfares and city hubs. However keen the Ministry was in realizing the potential, it failed to ensure that a proper assessment of the demand potential was conducted by the Zonal Railways involving external agencies and market experts. Moreover, the targets were entirely driven by the Ministry and the budget estimates submitted by the Zonal Railways did not reflect estimated earnings on this account. Due to lack of active involvement and commitment, the Zonal Railways failed to develop a strategic focus for preparing the Master Plan for effective exploitation of identified assets/media. The lack of knowledge of the market potential resulted in low response to advertising tenders floated by the Zonal Railways.

Furthermore, there was indifferent compliance of contract management in terms of poor record maintenance in respect of contracts awarded and execution of agreements involving high risk of recoverability of outstanding licence fees from the contractors. Deficient record management and lack of vigilance also encouraged unauthorized/illegal displays of hoardings.

In view of the considerable potential through commercial publicity for augmenting total earnings of the Indian Railways, the Ministry needs to seek more active involvement of the Zonal Railways in exploiting the railway assets to the optimum level. In order to ensure better accountability, it is desirable to provide for specific budget head for earnings from commercial publicity so that the Zonal Railways are held responsible for earnings estimates projection as well as performance delivery.