Indian Railways

Growth, Sustenance and the Leap Forward

Ankit Gupta  2003CS10153
Vidya Bhat  2004BB50025
The Turnaround Story
Earnings and Expenses

Data source – Year Books, Ministry of Railways (1987-88 to 2005-06)
The Turnaround Story
Operating Ratio

Data source – Year Books, Ministry of Railways (1987-88 to 2005-06)
Indian Railways

*Growth, Sustenance and the Leap Forward*

Critical questions:

- Marketing
- Restructuring and Privatization

Guiding Indian Railways to the Future
MARKETING

● Shift from the ‘Supply’ concept to the ‘Marketing’ Concept.

● **NEED**: Competition from low cost airlines (LCAs) like Air Deccan.
  ● Time of travel.
  ● Fares.
## Passenger distribution

<table>
<thead>
<tr>
<th>Year</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
<th>2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railways</td>
<td>5,093</td>
<td>4,971</td>
<td>5,112</td>
<td>5,475</td>
</tr>
<tr>
<td>Airlines</td>
<td>12.81</td>
<td>13.32</td>
<td>14.54</td>
<td>18.17</td>
</tr>
</tbody>
</table>

Source: 1. 'Turnaround' of Indian railways: A critical appraisal of Strategies and Processes, G. Raghuram
2. Ministry for Civil Aviation
# Fare comparison

<table>
<thead>
<tr>
<th>Airline</th>
<th>Sector</th>
<th>Lowest Fare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Airlines</td>
<td>Delhi-Bangalore</td>
<td>Rs 3,965</td>
</tr>
<tr>
<td></td>
<td>Delhi-Mumbai</td>
<td>Rs 3,965</td>
</tr>
<tr>
<td></td>
<td>Delhi-Chennai</td>
<td>Rs 5,065</td>
</tr>
<tr>
<td></td>
<td>Delhi-Hyderabad</td>
<td>Rs 3,965</td>
</tr>
<tr>
<td></td>
<td>Delhi-Kochi</td>
<td>Rs 8,035</td>
</tr>
<tr>
<td>SpiceJet</td>
<td>Delhi-Bangalore</td>
<td>Rs 1,999</td>
</tr>
<tr>
<td></td>
<td>Delhi-Mumbai</td>
<td>Rs 1,599</td>
</tr>
<tr>
<td></td>
<td>Delhi-Hyderabad</td>
<td>Rs 1,499</td>
</tr>
<tr>
<td></td>
<td>Delhi-Chennai</td>
<td>Rs 1,699</td>
</tr>
<tr>
<td>Air Deccan</td>
<td>Delhi-Bangalore</td>
<td>Rs 2,529</td>
</tr>
<tr>
<td></td>
<td>Delhi-Mumbai</td>
<td>Rs 1,829</td>
</tr>
<tr>
<td></td>
<td>Delhi-Chennai</td>
<td>Rs 2,829</td>
</tr>
<tr>
<td></td>
<td>Delhi-Hyderabad</td>
<td>Rs 2,279</td>
</tr>
<tr>
<td>Jet Airways</td>
<td>Delhi-Bangalore</td>
<td>Rs 3,720</td>
</tr>
<tr>
<td></td>
<td>Delhi-Mumbai</td>
<td>Rs 3,220</td>
</tr>
<tr>
<td></td>
<td>Delhi-Chennai</td>
<td>Rs 3,620</td>
</tr>
<tr>
<td></td>
<td>Delhi-Hyderabad</td>
<td>Rs 3,220</td>
</tr>
<tr>
<td>Route (By Rajdhani)</td>
<td>AC 1 Fare</td>
<td>AC-II Fare</td>
</tr>
<tr>
<td>Nizamuddin-Chennai</td>
<td>Rs 4,567</td>
<td>Rs 2,696</td>
</tr>
<tr>
<td>Nizamuddin-Bangalore</td>
<td>Rs 4,715</td>
<td>Rs 2,776</td>
</tr>
<tr>
<td>Nizamuddin-Secunderabad</td>
<td>Rs 3,854</td>
<td>Rs 2,268</td>
</tr>
</tbody>
</table>

Source: The Hindu Business Line
### Income Distribution and Size of Markets

<table>
<thead>
<tr>
<th>Household Income Range (current $US)</th>
<th>% of Households</th>
<th>Number of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $1,000</td>
<td>5</td>
<td>9,593,204</td>
</tr>
<tr>
<td>$1,000-$2,000</td>
<td>45</td>
<td>86,338,840</td>
</tr>
<tr>
<td>$2,000-$3,000</td>
<td>23</td>
<td>44,126,740</td>
</tr>
<tr>
<td>$3,000-$4,000</td>
<td>6.5</td>
<td>12,471,166</td>
</tr>
<tr>
<td>$4,000-$5,000</td>
<td>5</td>
<td>9,593,204</td>
</tr>
<tr>
<td>$5,000-$6,000</td>
<td>4.5</td>
<td>8,633,884</td>
</tr>
<tr>
<td>&gt;$6,000</td>
<td>11</td>
<td>21,105,050</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>191,864,088</strong></td>
</tr>
</tbody>
</table>

**Household Distribution by Income Level, India ($US)**

*Source: http://pdf.wri.org/hammond_india_profile_xls.pdf*
Income based segmentation

## Services IR can offer:

<table>
<thead>
<tr>
<th>Service</th>
<th>Lower class (&lt; Rs. 3 lakh p.a.)</th>
<th>Middle Class (Rs. 3 – 10 lakh p.a.)</th>
<th>Upper Class (&gt; 10 lakh p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Travel</strong></td>
<td><img src="Green" alt="Checkmark" /></td>
<td><img src="Green" alt="Checkmark" /></td>
<td><img src="Red" alt="X" /></td>
</tr>
<tr>
<td><strong>Tourism</strong></td>
<td><img src="Red" alt="X" /></td>
<td><img src="Green" alt="Checkmark" /></td>
<td><img src="Green" alt="Checkmark" /></td>
</tr>
<tr>
<td><strong>(Luxury trains)</strong></td>
<td><img src="Red" alt="X" /></td>
<td><img src="Green" alt="Checkmark" /></td>
<td><img src="Green" alt="Checkmark" /></td>
</tr>
</tbody>
</table>

*Intermediate distances*
What has been done…

- Increase in number of super fast trains.
- Reduction in fares
- Differential pricing based on time of booking: The ‘Tatkal’ scheme.
- Automatic upgrades to passengers.
- Improvement in service quality.
The way ahead…

- **Lower class:**
  - Unreserved compartments in new trains to be increased from four to six.
  - Efforts to be made to increase unreserved second-class coaches in existing trains.
  - Wooden seats in ordinary class passenger trains to be replaced by cushioned seats.
Middle Class

- Eight new Garib Raths and 32 pairs of new trains to be introduced in the coming year.
- 200 trains to be made superfast.
- Dynamic pricing: Differential discounts in peak and off-peak seasons.
- Reduction of super fast charge on second-class tickets by 20 per cent from Rs 10 to Rs eight.
- Cyber cafes and ATMs to be opened at major stations.
- E-tickets
  - Made cheaper
  - to be made available for all mail and express trains.
The Twin bedded Saloon

The Bar Lounge

The Bar Lounge

The Exterior

PALACE ON WHEELS
Indian Railways now give you a reason to rejoice

Travel in cool upper-class comfort at No Extra Cost!

Avail the scheme of automatic upgradation of class

Travel upper-class, travel smart. Before boarding the train, check reservation chart.

Upgradation scheme has now been extended to RAC & Wait list ticket holding passengers as well.

Jumping of classes will be permitted in case eligible passengers are not available in the immediately lower class.

The Reservation Requisition Form has been simplified for the purpose of upgradation.

All passengers booked on a single ticket are up-graded together.
Privatization does reap benefits....
Privatization does reap benefits....

How about privatizing the whole Indian Railways now?

Shri Lalu Prasad
Minister
Indian Railways

Mr Anil Ambani
CEO
Indian Railways
British Railways
Privatized in 1990s

British Railways
Till 1980s
British Railways
Privatized in 1990s

Franchising Director (awards franchises and pays subsidy)

Rail Regulator (approves access agreements)

Passenger train operating companies (run passenger trains)

Lease rolling-stock

Rolling-stock companies (own rolling-stock)

Provide services

Heavy maintenance suppliers (maintain rolling-stock)

Provide services

Other passenger train operators (run passenger trains)

Provides access to network

Other service providers (e.g., telecommunications)

Provide services

Track renewal companies (renew track)

Provide services

Infrastructure maintenance companies (maintain infrastructure)

Provide services

RAIL TRACK (owns railway infrastructure)

Provides access to network

Provide services

Freight operators (run freight trains)

Provide materials haulage
Shortcomings

- Atomization of BR
  - Maintenance of a network of more than 100 companies
  - Increase in government expenditure – 2 Billion Pounds annually

- Role of government still required

- Employee dissatisfaction
Is complete restructuring really required in India?

- Critical role of railways in economy
- Too complex system
Is complete restructuring really required in India?

- Critical role of railways in economy
- Too complex system

Advantages of Commercialization

- Competitive Rates
- Less political interference
- Financial freedom to an extent
Is complete restructuring really required in India?

- Critical role of railways in economy
- Too complex system

- Need of partial restructuring
- Non core activities outsourced
Commercializing Activities

- **Annual Catering Contracts**
  - Howrah Kalka Mail – **Rs 83.6 lakhs** from **Rs 5 lakhs**
  - License fee (Bandra) – **Rs 16 lakhs** from **Rs 78,000**
  - Licence fee (Nagpur) – **Rs 34 lakhs** from **Rs 32,000**

- **Hotels**
  - Talks on with the Oberoi Group

- **Food Plazas**

- **Vending machines .....**

Data Source - IIMA analysis of the Railways Turnaround (G. Raghuram)
Indian Railways

_Growth, Sustenance and the Leap Forward_

Critical questions:

- Marketing
- Restructuring and Privatization

Guiding Indian Railways to the Future
References

- Indian Railways at Crossroads – Case Study on IR, ICMR, ICFAI
- Indian Railways, Wikipedia
- “Indian Railways Presentation on the turn around”, Sudhir Kumar, Officer on Special Duty to Minister of Railways, Govt. of India
- “The Privatization of Railways in Britain”, Bill Bradshaw, Japan R&T Review, Sept 96
- “Privatization of British Rail”, Wikipedia
- Official sites of Indian Railways, Finance Ministry, IRCTC, Civil Aviation, Palace on Wheels, Deccan Odyssey
Indian Railways now give you a reason to rejoice

Travel in cool upper-class comfort at No Extra Cost!

Avail the scheme of Automatic Upgradation of Class

Travel upper-class. Travel smart. Before boarding the train, check reservation chart.

Upgradation scheme has now been extended to RAC & Wait list ticket holding passengers as well.

Jumping of classes will be permitted in case eligible passengers are not available in the immediately lower class.

The Reservation Requisition Form has been simplified for the purpose of upgradation.

All passengers booked on a single ticket are up-graded together.

INDIAN RAILWAYS
www.indianrailways.gov.in
Serving customers with a smile
Avail the **GOLDEN DISCOUNT SCHEMES** and script your own success story

**TERMINAL INCENTIVE CUM ENGINE–ON–LOAD SCHEME**

- Freight customers opting for the EOL scheme by making investment in infrastructure for mechanized loading & unloading of goods and round-the-clock working etc. will get a freight rebate @ 5% in the first year. Over the next ten years the rebate will be given at a diminishing rate and would be 1% from the fifth year onwards.
- The eligible parties will have to utilize the railway loco within the free time available under the scheme, without paying the engine hire charges.

**LIBERALISED SIDING SCHEME**

- Under this scheme, the cost of the removable super structure including the track, sleepers, fastening etc. and the overhead electric equipment shall be borne by the railways. The capital cost of all traffic facilities such as "Y" connection, additional lines at the serving station, crossing stations, patch doubling of the section etc. shall be borne fully by the railways. The siding owners will be required to bear the cost of the land, earthwork and the sub structure of the track.
- The freight discount will remain fixed at 10%. The duration during which this discount is to be given will depend on the time period of repayment of the expenditure incurred by the siding owner on behalf of railways. However, such discount shall be admissible for a maximum period of 10 years only, irrespective of whether the investment made on behalf of railways is recovered or not.

**INFORMATION**

**Indian Railways**

www.indianrailways.gov.in

Serving Customers With A Smile