



INDIAN RAILWAY CATERING & TOURISM CORPORATION LIMITED

(A GOVT. OF INDIA ENTERPRISE)

MOU OF IRCTC

MEMORANDUM
OF
UNDERSTANDING

BETWEEN

MINISTRY OF RAILWAYS

AND

INDIAN RAILWAY CATERING
AND TOURISM CORPORATION LTD.

MEMORANDUM OF UNDERSTANDING BETWEEN INDIAN RAILWAYS
AND
INDIAN RAILWAY CATERING AND TOURISM CORPORATION LTD. (IRCTC)

This Memorandum of Understanding is made on 17th day of January, Two Thousand Seven (2007) between

A The President of India acting through the Secretary, Railway Board, Ministry of Railways, herein after referred to as the "Railways" (which expression shall unless excluded by or repugnant to the context be deemed to include its successors-in-interest and assigns)

and

B Indian Railway Catering and Tourism Corporation Limited, company incorporated under the Companies Act, 1956, having its registered office at New Delhi herein after referred to as the "IRCTC" (which expression shall unless excluded by or repugnant to the context be deemed to include its successors-in-interest and assigns).

1.1 Whereas the IRCTC Ltd. has been formed as an extended arm of the Indian Railways (IR) to upgrade, professionalise and manage the catering and hospitality services at stations, on trains and other locations; and to promote domestic and international tourism through development of hotels, information and commercial publicity and global reservation systems

and

Whereas Ministry of Railways feels that the IRCTC Ltd. would be a Special Purpose Vehicle (SPV) to explore and exploit under utilised assets of IR by forming joint ventures/alliances/networks/associated and subsidiary companies and stimulate private entrepreneurship and investment in the hospitality business

and

Therefore, the Ministry of Railways and IRCTC Ltd. have in principle agreed that IRCTC Ltd. would primarily serve the rail users and passengers through value added services and strengthen IR's linkage with travel and tourism industry on the terms and conditions herein set out below:-

1.2 In order to fulfil the above objectives, the following Memorandum of Understanding (MOU) has been entered into between Indian Railways and the Corporation (IRCTC Ltd.)

2.1 Use of Infrastructure

The land and buildings owned by the Indian Railways and so identified mutually will be licensed for provision of services at mutually agreed commercial licence fee / sharing of revenue to the IRCTC Ltd. with permission to sub-license the

rights to third parties in regard to activities related to passenger amenities and essential services like food & beverages outlets, pantry cars, passenger information services, retiring rooms/ budget hotels, pre-departure & post arrival services, development of passenger terminals, etc. in consideration of sharing of revenues in the pattern mentioned in clause 2.3.1. For Budget hotels and food plazas, a nominal land licence fee of Rs. 5 per sqm along with sharing of agreed percentage of revenue by IRCTC as per clause 2.3.1, subject to minimum total fee of 2.5% of land value will have to be paid by IRCTC in terms of board's letter No. TG-III/673/1/IRCTC dt. 16.11.2005. IRCTC will also follow relevant guidelines and instructions issued by Railway Board from time to time on the subject.

IRCTC Ltd. will not only continue to provide these essential services but will also induce investment in their upgradation and professionalisation. IRCTC Ltd. will with the participation of private entrepreneur manage these activities and Indian Railways' liabilities will reduce to that extent. To enable the Corporation in providing upgraded facilities and improving customers' satisfaction, IR will license land / buildings / rolling stock to the IRCTC Ltd. at mutually agreed commercial license fee / revenue sharing for specified periods.

2.2 Use of Rolling stock by IRCTC Ltd.

(i) Considering that rolling stock and transport capacity on hill railways, branch lines and other isolated sections remains under utilized, IRCTC Ltd. will make all efforts to exploit the full potential of such assets and earn incremental revenues. In due course IRCTC Ltd. may take over the management, operation and marketing of these lines on concessions or other mutually agreed terms.

(ii) On main line and trunk routes, the IRCTC Ltd. may handle demands from chartered groups, party coaches, special trains, etc. For this purpose, specific instructions as issued from time to time by Ministry of Railways would be applicable.

(iii) Maintenance of equipments in pantry cars/mini pantries:-

IR will continue to provide and maintain the rolling stock and pantry car equipments. 5% additional licence fee for mobile catering will be given by IRCTC to IR for provision and maintenance of equipment. However, for a continued failure of equipment for a long duration a proportionate reduction will be permitted. This arrangement will continue upto 31.03.2009. After this period the arrangement can be reviewed.

2.3 Sharing of costs/risks/revenues

The expenditure for construction, development and maintenance for new facilities (related with passenger amenities and essential services) will be the responsibility of the IRCTC Ltd. or its associates under suitable back to back contract between the IRCTC Ltd. and its associates. The commercial risk in the ventures will also

be borne by IRCTC Ltd./associates. The license fee/royalties earned by IRCTC Ltd. shall be shared between IRCTC Ltd. and IR as under.

2.3.1 Broadly the activities to be handled by IRCTC can be grouped under following four categories -

Category 1 – Passenger amenities like management of stalls, refreshment rooms at railway stations, pantry car services Rail Neer etc. where services are restricted to paid passengers and items for sale and tariff are determined and controlled by Railways. For this activity there is very limited scope of profit to the service provider.

Category 2 – Other passenger amenities related projects like retiring rooms, Yatri Niwas, etc. where tariff is partly controlled by Government, there is some business opportunity due to dual pricing of products.

Category 3 – Commercial projects like Food Plazas, open air restaurants, commercial publicity, special festivals/events budget hotels etc. where there may not be any Government control on tariff, there is a potential for business and the profits may be higher.

Category 4 – Tourism related projects like comprehensive package tours, special trains, etc. where the role of IR will only be as a carrier and the promotional activities would be undertaken by IRCTC.

The following revenue sharing arrangement for different activities to be undertaken will remain in force till the time this MoU is modified, after which the sharing ratio could be reviewed mutually between IR and IRCTC.

Categories	Remarks	Proposed Percentage sharing of total revenues earned in different projects/activities	
		IRCTC	IR
Category 1	Essentially a passenger amenity area; IR will save overhead costs to the tune of 60% to 80% of turnover in case of departmental units. In the case of licensee operated units IR will save cost of documentation, supervision etc.	85%	15% Or 15% of net profit in case of Dept. units as there is no licence fees.
Category 2	Passenger amenity related area; IR will save investments and existing losses. Projects will ensure utilization of sleeping assets like unutilized land. Revenue of IRCTC will be earmarked for future development/investment on behalf of IR.	75%	25%

Category 3	Commercial projects: Greater share of IRCTC in view of heavy initial investment on these projects and the need for resources generation for future development/investment on behalf of IR.	60%	40%
Category 4	Tourism related projects: IR will act as a carrier only. All arrangements including Boarding, lodging, sightseeing, transfer facility and marketing expenses to be borne by IRCTC. These projects will improve IR image and result in growth in passenger traffic.	IRCTC will be free to market the product and retain the margin after guaranteed payment to the IR.	IR will be guaranteed payment as decided on case to case basis.

2.3.2 Where services/products are directly provided by IRCTC to IR pricing of such services/products provided by IRCTC Ltd. to IR, e.g., retail ticketing shall be as mutually negotiated between the railway administration and IRCTC Ltd.

2.3.3 What haulage charge will be booked to IRCTC, if any, will be decided by Board and, whatever is the Board's decision, IRCTC will abide by the same.

3. PAYMENT MECHANISM

As for each project, covered under the MoU between IR and IRCTC, and specific railway will be nominated for the purpose of receiving payment. For all projects falling under category 1, 2 & 3 final payment will be made after adjustment on quarterly basis within 20 days after closing of the quarter and some adhoc monthly payment will be made by IRCTC for each category.

For category 4, IRCTC will intimate railway at least 30 days in advance for booking special train/coach and all payment will be made at least 48 hours before the departure of train/coach.

4. CATERING SERVICES

IRCTC will follow all the relevant guidelines and instructions issued by the Ministry of Railways from time to time including Revised Catering Policy 2005 circulated by Railway Board's Commercial Circular No. 56 vide letter No. 2005/TG/11/500/5 dated 21.12.2005, as modified/amended from time to time unless any specific exemptions / changes for IRCTC in respect of the relevant items / clauses is agreed to by Ministry of Railways. IRCTC, however, will take all necessary measures to improve quality of service and enhance revenue.

5. **RAIL NEER / WATER VENDING MACHINES**

- a) "Rail Neer" shall be the exclusive brand of packaged drinking water to be procured and sold by the department and non-departmental private catering licensees on the premises of Indian Railways including trains subject to availability and supply of Rail Neer from IRCTC."
- b) In instances of "Rail Neer" not conforming to BIS specifications IRCTC shall be responsible for all complaints and litigation arising out of it and shall indemnify Indian Railways. IRCTC shall also replace such quantities of supply at its own cost.
- c) In case IRCTC fails to fulfill its commitment in supply of Rail Neer then the zonal railways and the private licensees would be free to procure supply from available BIS approved brands of packaged drinking water as notified by BIS. Any extra expenditure incurred by Railways on this account would be reimbursed by the IRCTC.
- d) In case IRCTC fails to fulfill the requirement of Packaged Drinking Water on Railway premises in departmental / private licensees and railways is faced with any legal or financial burden the IRCTC will indemnify the railways for the losses suffered by it.
- e) Railways will continue to conduct inspections and checks through commercial and medical departments including joint inspections under Quality Control and PFA who will ensure that the norms are followed at processing and distribution points to IRCTC, departmental and private licensees as per guidelines contained in Para 9 and 10 of Commercial circular no. 20 of 2001 issued vide letter no. 99/TG-III/631/11 dated 22.3.2001. Samples should be sent to registered laboratories having adequate infrastructure to carry out the tests as per extant rules.
- f) Railway should also continue to advise BIS regarding any major irregularity detected in supply of packaged drinking water of any manufacturer for appropriate action. Railways should continue to be in touch with the Bureau of Indian Standards (BIS) to obtain a list of certified manufacturers who have been given licence to manufacture the packaged drinking water.
- g) IRCTC would provide water vending machines as specified in the guidelines issued by IR from time to time.

6. **PERFORMANCE EVALUATION**

While the performance would be reviewed by the Company regularly, the Ministry of Railways may review the performance quarterly. The evaluation of



performance would, however, be done at the close of the financial year jointly by the Company and the Ministry before submitting final evaluation to the DPE based on composite score of five point scale.

6.1 Railway Administrations will have the right to inspect the catering facilities maintained and food items sold under the licensees/sub-licensee

6.2 IRCTC should respond to inspections conducted by the concerned railway officers and take appropriate remedial / redressal measures to address the complainant under advise to the railway office. In case of any deficiency in performance and non-adherence of policies/guidelines issued from the Ministry of Railways, CCMs of Zonal Railways will send the report to IRCTC for suitable action. IRCTC after taking suitable action shall advise CCMs.

7. PROVISION OF ESSENTIAL SERVICES LIKE ELECTRICITY, WATER, DRAINAGE, ETC.

IR will provide electricity, water, drainage and other facilities for the outlets managed by the Corporation. Corporation/associate will however pay the actual cost of these services except 'Way Leave Charges' for drainage of Base Kitchens, laundrettes etc.

8. PROVISION FOR ACCESS TO APPROACH

IR will also provide access to the staff of the Corporation or that of licensee/sub licensee to the railway premises without any entry fee.

9. TELECOM FACILITY

Railway communications network will be utilized by IRCTC Ltd. for its operation and information requirement on mutually agreed terms.

10. RAILWAY PERSONNEL ON DEPUTATION

It may become necessary for IRCTC Ltd. to draw some of the essential personnel resources of IR for its operational and marketing requirements in its corporate office and regional headquarters. IR will provide assistance to IRCTC Ltd. in accordance with the extant rules for providing the services of senior officers/staff. The staff on deemed deputation will be dealt with as per specific rules framed for them.

11. It is mutually agreed that IRCTC would enter into one standard agreement with each zonal railway for each service such as pantry cars, static units, budget hotel, food plazas etc. The position of units for each station division-wise will be annexed to standard agreement. This list will be modified as and when new units are added. For this purpose Ministry of Railways will develop guidelines and model agreements for different activities. In case of budget hotels, case-specific

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agreement based on approved standard form of agreement, will be executed between IR and IRCTC.

12. Both parties can modify/amplify terms of this MoU, whenever considered necessary, on mutually agreed terms.

13. This MOU will take effect the day it is signed by the parties but shall be applicable till the time it is modified.

14. This MOU will be subject to provision of Railway Act 1989, and the rules framed therein and any directions issued in case of emergency will be binding on the IRCTC Ltd.

"In witness whereof Shri Mathew John, Secretary, Railway Board, Ministry of Railway on behalf of President of India and Dr. P. K. Goel, Managing Director, Indian Railway Catering and Tourism Corporation Ltd. duly authorised by the IRCTC Ltd. have signed these presents on the day and year first above written."


(Mathew John)
SECRETARY, Railway Board
Ministry of Railways,
New Delhi.


(DR. P. K. GOEL)
Managing Director,
Indian Railway Catering &
Tourism Corporation Ltd.
New Delhi.

WITNESS 

(Ashok Kumar)
Exe. Director (Tourism & Catering),
Railway Board.

For and on behalf of President of India

WITNESS 

Director/ Tourism & Marketing,
Indian Railway Catering &
Tourism Corporation Ltd, New Delhi.

For and on behalf of the Indian Railway
Catering and Tourism Corporation Ltd.