FREIGHT REFORMS IN INDIAN RAILWAYS

Transforming Rail Logistics Network with enhanced Scale, Speed and Capacity

"Dedicated Freight Corridors will enhance ease of doing business, cut down logistics cost"

- PM Narendra Modi
INTRODUCTION

The freight services of Indian Railways continued to run unhindered during the lockdown period providing the much needed transportation of essential goods throughout the country. With healthy participation from the private sector and improved average speed this financial year has improved the wagon availability to a very large extent and demands of the customers are being met to their satisfaction. This has been achieved by intense customer focussed approach by Railway at all levels by ensuring availability of rolling stock just in time to meet demand and achieving a sustained improvement in transit reliability. The average speed of freight trains which had stagnated at a level of 20-25 Kmph for many years has nearly doubled to 45-50 Kmph. A Zero Based Time Table has been finalised which efficiently allocates freight, passenger and maintenance corridors separately optimising the network capacity to run trains without any conflict. All these reforms have resulted in record jump in freight in various commodities as evident below:

Growth in freight loading of various commodities
(MT-Million Tonnes)

- **Coal**: 16% increase from 508 MT to 587 MT
  - 2013-14: 508 MT
  - 2019-20: 587 MT

- **Iron & Steel**: 38% increase from 39 MT to 54 MT
  - 2013-14: 39 MT
  - 2019-20: 54 MT

- **Iron Ore**: 23% increase from 124 MT to 153 MT
  - 2013-14: 124 MT
  - 2019-20: 153 MT

- **Fertilizers**: 15% increase from 45 MT to 52 MT
  - 2013-14: 45 MT
  - 2019-20: 52 MT

- **POL**: 10% increase from 41 MT to 45 MT
  - 2013-14: 41 MT
  - 2019-20: 45 MT

- **Containers**: 41% increase from 44 MT to 61 MT
  - 2013-14: 44 MT
  - 2019-20: 61 MT
CHAPTER 1

REDUCING LOGISTIC COSTS OF CUSTOMERS AND CAPTURING MARKET SHARE (Tariff and Non tariff Measures)

Some of the important Tariff reforms undertaken to reduce transportation cost:

- **Liberalised Automatic Freight Rebate Policy in Empty flow Directions** Loaded traffic in empty flow direction is being charged at LR1 (with certain conditions), which amounts to an average discount of 30-40%

- **Rationalisation of distance slab** (Apr 2015): The distance slab above 1500 km to 3500 km have been rationalised from the existing 250 km to 125 km. By this step, freight rate was reduced in the range of 3 to 5% in the distance slab which gave big relief to customers dealing with long lead traffic.

- **Station to Station Rates-Decentralization of power** (Sep 2016): Zonal railways empowered to grant concessions upto 30% depending upon their local conditions.

- **Discount for loading of bagged consignment in open and flat wagons** (Oct 2016): In order to garner additional volumes of traffic and revenue 20 to 40% discount was granted on loading of commodities as bagged consignment in open and flat wagons. Bag size up to 2.5 ton is allowed.

- **Policy on Long Term Tariff Contract with key freight customers** (Mar 2017): This was issued to attract additional traffic to Railways by giving a stable tariff rate as before this various concession policies to attract/ retain traffic were short term in nature. So far, 31 LTTC agreements have been executed on different zonal Railways with customers like TATA Steel, SAIL, RINL, Ultratech Cements, ACC, JSW etc

- **Levy of Busy Season Charge (BSC) Deferred** (Sep 2019): BSC levied at 15% from Oct to June, has been deferred till further advice (Except for iron ore and POL). Coal & coke and container traffic are already exempt.

- **Short lead concession** reintroduced (July 2020): Earlier, Short lead traffic whether moved even for a few kms was subject to charge minimum for 100 km. Discount in freight at the rate of 50%, 25% and 10% has been granted to the traffic booked upto 0-50 KM, 51-75 KM and 76-90 KM respectively except Coal & Coke and Iron ore traffic to attract short lead traffic.

- **Concession on long lead traffic** (July 2020): To facilitate long lead traffic of Coal & Coke, Iron ore and Iron & Steel traffic, discount in freight is granted. The long lead concession has been extended to Clinker (cement) traffic also with certain conditions.

- **Round Trip Traffic** (RTT) (Oct 2020): Incentive for customers offering traffic in both directions. The return traffic under this traffic is charged at lower of the two classes of onward vis-a-vis return traffic
• **Incentive to fly ash** (May 2020): Discount of 40% in freight granted to fly ash traffic booked in Open Stock; both in bagged condition as well as bulk/loose condition

• **Non-levy of Terminal charges at unloading point** (July 2020): The traffic booked to and from notified alternate goods shed instead of busy goods shed exempted from levy of Terminal charge of Rs. 20 per tonne for goods sheds and Private Freight Terminal (PFTs). This intends to offer efficient and faster handling of goods at less busy terminals for the benefit of customers.

• **Long lead discount for clinker traffic** (Dec 2020): Clinker being moved above 1000kms is being offered a 20% discount for incremental NTKMs over 2019-20 in the current financial year and 25% over 2020-21 in FY 2021-22

• **Tapping E-commerce Business**: Though E-commerce has gained immense popularity there was hardly any business given by this segment to IR. Transportation of E-Commerce consignments through sub-urban trains (EMU/DMU/MEMU trains) has been permitted with certain terms and conditions. As a result, around 12000 tonnes of e-commerce consignment has been loaded by IR (upto December 2020)

Apart from tariff measures, some important **non-tariff measures** were also undertaken to capture market share for Rail transportation:

• **Mini Rake Loading – distance restriction** (Mar 2016; revised further during the year): To remove restriction in transportation of non-bulk commodities due to previous policies, distance for mini rake operations enhanced from 400 km to 600 km. Due to this, average increase in loading and earnings during 2016-17 & 2017-18 was around 310% and 355% respectively as compared to 2015-16. The restriction further relaxed and now can be loaded upto 1500km with train load benefit, beyond 1500 km upto 2000 km

• **Freight Advance Scheme** (Jan 2020): Intended to establish long term commitments from customers, it offers tariff certainty in lieu of freight advance. Under this scheme, Railway shall accord priority in allocation of rakes within the same class to freight customers who have signed agreement.

• **Debit/Credit system of Demurrage** (Oct 2020): Allows banking of release time of wagons by process of debit/credit. It has been permitted in case of private sidings, upto one year

• **Additional free time for covering wagons with Tarpaulins** (Oct 2020): To ensure pollution free transportation of loose commodities, additional free time of one hour per rake may be permitted for covering open wagons with tarpaulins during loading of loose/bulk commodity at EOL siding
PRIVATE INVESTMENT IN ROLLING STOCK (Wagons)

Changes brought about in wagon investment policies are as follows:

- **Liberalized Special Freight Train Operator (LSFTO) scheme:**
  - Aims at inducting more high-capacity and special-purpose wagons, by targeting end-users (producers or consumers) as well as transport and logistics companies, port and land-terminal operators, warehousing companies, CTOs and wagon-leasing companies.

- **General Purpose Wagon Investment Scheme (GPWIS):**
  - Launched in April 2018 to promote private investment in induction of general purpose wagons (BCN BoxN, etc) by end-users, PSUs and CPSEs, logistics providers etc.

- **Automobile Freight Train Operator policy (AFTO):**
  - AFTO policy was modified and re-launched in Jan 2015 to bring-in private entities to induct special purpose wagons for transportation of automobiles. The policy has been further liberalized by removing the ‘minimum net worth’ criteria from eligibility conditions and the response from the industry has been quite encouraging. So far, 06 AFTOs have been granted license

The investment by private sectors in wagons generates demand for steel and engineering goods having multiplier effects on the economy. Further, since most of the wagon manufacturing in India is under private sectors (unlike coaches and locomotives) this investment fuels the growth of the private sector and contributes through capital formation in the economy.

To sustain increased level of **improved transit times** IR is taking the following steps:

a) Creation of Dedicated freight paths through Zero Based time table

b) Increasing the maximum permissible speed of freight wagons to 75Kmph for loaded and 100 Kmph for empty wagons

c) Completion of two dedicated freight corridors by June 2022

d) Completion of targeted supercritical and critical doubling, Multi tracking, traffic facility works

e) Introduction of time tabled Container and parcel trains

“**These freight corridors will become a very big medium of Atmanirbhar Bharat. Whether it is industry, business, farmers or consumers, everybody is going to get the benefit**” - PM Narendra Modi
Private Freight Terminal Policy (PFT): Revised Private Freight Terminal (PFT) policy was issued in June 2020 with important changes like reimbursement of Terminal Charges to PFT owners for all traffic handled, reduction of application fee for establishing PFT from Rs. 10 lakhs to Rs. 20,000 only, etc. More than 71 PFTs have been commissioned over Indian Railways

Private Siding policy: With a view to commission more number of Private Sidings, the revised policy was issued in Aug 2016. Including important changes like removing limits on co-users of Private Sidings removed, streamlining approval and construction procedure with establishment of standing Committees at Divisional and Zonal levels etc.

Development of goods-sheds through private investment: Launched in Oct, 2020, it aims at developing existing goods-sheds (and commissioning new Greenfield goods-sheds) without any investment from Railways. Following steps have been taken in the parcel business

- Powers delegated to zones for revision of reserve price even downwardly. (June 2016)
- Increase in duration of contract from 3 years to 5 years (June 2016)
- Permission to lease parcel Vans in Ordinary/Passenger trains (Sep 2019)
- Opening of all terminals for handling of Parcel Traffic (Aug 2020)
- Formation of dedicated teams at Zonal & Divisional Levels for dealing with Parcel related issues (Aug 2020)
- Advance booking of Parcels upto 120 days in advance (Sep 2020)
- 8% discount on Base freight rate of P-scale applicable on Indented Parcel Trains for composition 24+1 (Oct 2020)

Under the Kisan Rail project, announced in the budget for 2020-21, movement of vegetables, fruits and other perishables have started in a big way. First Kisan Rail was run in Aug, 2020 from Devlali to Danapur. After that 11 more routes of Kisan Rail have been operationalized across the country.

More than 7,000 Parcel Special trains have been run, transporting 6.13 lakh Tonnes of consignments. Currently, train services are operational over more than 40 routes.

Trains under the Kisan Rail scheme and time-tabled Parcel special trains have given a much needed assurance and reliability to farmers.
With a focus to minimise the need of human-to-human interaction following initiatives have been taken:

- **Electronic Registration of demand for wagons (e-RD):** Provides facility to customers to register their demands for goods electronically instead of having to visit the goods sheds physically. It is simpler, convenient, speedier and transparent.

- **Electronic transmission of Railway Receipt (eT-RR):** A paperless transaction system where Railway receipt is also generated and transmitted electronically to customer through Freight Operation Information System (FOIS), and even delivery of goods is given through e-surrender of eT-RR.

- **Terminal Management System (TMS):** It provides system based preparation of Railway Receipt for freight traffic. Two new features have been added to promote digital working- (a) Preparation and submission of online goods balance sheet and (b) System generated Money Receipt for ancillary charges e.g. Demurrage, Wharfage etc.

- **Online interface to Freight Customers:** New Business Developmental portal launched in Jan 2021 provides all requisite information e.g. freight class and rate; position of indent/demand for each station; outstanding indents, shortest/popular routes, terminal handling facilities; freight calculator; facility to track and trace rakes.

- **Electronic payment system:** It enables fast, safe, efficient and transparent mode of payment for freight charges, which normally are large value transactions. In the recent past, Automobile Freight Train Operators (AFTOs) have been allowed single agreement e-payment facility with base terminal Railway.
LOVED BY CUSTOMERS AND APPRECIATED BY INDUSTRY

“These small and big steps like commissioning of dedicated freight corridors, introduction of business portals for the industry are going to make a lot of difference. It has been established that Indian Railways is the reliable source of long distance transportation of large parcel size.”

Sachin Bhanushali, Director and CEO,
Gateway Rail Freight Ltd

“It is indeed happy to note that Railways have taken various policy measures to make transportation of goods by Rail simpler, more affordable and financially viable to the customers especially the doubling of speed for freight trains will save us time and cost. We have taken note of the concessions available to different traffic, discounts granted, steps taken to decrease congestion at terminals to increase the intermodal share of rail transportation.”

Shri Narayanan, Director,
Greenstar Fertilizers Ltd

“We appreciate the efforts being made by Indian Railways. We shall work forward with your support in future for maximizing the rail share in our port cargo in time to come with the support of Indian Railways.”

Shri Sant Kahre, Deputy CEO
Gopalpur Ports Limited

“This is to appraise you about the excellent performance of SAIL with the active held and cooperation of Indian Railways......SEFI alongwith SAIL collective acknowledges the continuous help received from the Indian Railways and requests for continuous unstinted help and support for all time in future.”

Shri Bimal Kumar Bisi, General Secretary
Steel Executives Federation of India
On the right track despite Covid challenges

After shutting operations during the initial period of lockdown, the Railways turned its focus to freight loading, which continues to gain momentum.

MAMUNI DAS
New Delhi, December 31

A pandemic-prompted lockdown that resulted in the complete halt of passenger operations for over a month, shutting down of economic activities and infrastructure work were some of the defining events of the year 2020 for the Railways. But with the Mumbai-Ahmedabad bullet train project of the fiscal as slump, recovery and growth periods. “April saw the suspension of all passenger services and a steep drop in freight transportation demand owing to the pandemic and the lockdown and the freight loading was 35 per cent then. By July to the first quarter, the signs of improvement were there. July to September were the recovery phase when the Railways’ steps for tariff rationalisation and ease of

Hindustan, Delhi
Tuesday, 5th January 2021, Page 7

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