

**GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
RAILWAY BOARD**

No. 2017/NFR/20/2

New Delhi, dated 10/01/2017

The General Managers
All Indian Railways

(Commercial Circular No. 2 of 2017)

Sub: Policy on Unsolicited Non-Fare Revenue Proposals.

1. Background:

Hon'ble Minister of Railways had announced during the Railway Budget 2016-17 that "Although we enjoy the highest captive eyeballs in a railway system internationally, we earn less than 5% of our revenues through non-tariff sources. Many of the world railway systems generate 10% to 20% of their revenues from non-tariff sources. Over a period of the next five years, we will strive to reach this world average by monetizing assets and undertaking other revenue yielding activities."

Earning contracts in Indian Railway are currently being awarded either through a Tendering process or on First Cum First Serve (FCFS) basis for certain cases such as innovation in advertising, etc. The conceptualisation and initiation of the earning proposal is being done internally by the Railways and after the finalisation of the proposal, the selection of the Agency for implementation is done as per the existing policy for selection.

At present, there is no policy in Railways for consideration of unsolicited offers proposed by outside agencies to the Railways

even if a potential exists for enhancement of earnings. With a view to increase the revenue from non-fare sources, it has been decided by the Railway Board to issue a new policy which will allow for the consideration of unsolicited proposals by enabling private and public sector participation in the conceptualisation of an earnings project or scheme and permitting finalisation of the same. The selection of Agency will be done for a maximum period of five years initially. If the project/scheme is found to be successful, subsequent selection of agency will be done through a competitive open tendering process. This policy is applicable for all departments receiving an unsolicited proposal for enhancement of revenues of the Railways, especially the non-fare revenue such as advertising, short term land licensing etc. where no policy exists. The following guidelines are issued for the consideration of such unsolicited proposals by the Railways.

2. Definitions:

- 2.1. Agency:** Any person or legal entity which is selected through an open transparent and competitive Bidding Process for execution of the Earning Plan submitted by the proponent and finalised by the Railway.
- 2.2. Bids:** means the technical-cum-commercial offers submitted by the Bidders in response to and in accordance with the Bid Document.
- 2.3. Bidder:** Any respondent to the Bid, other than the Proponent who participates in the Bid Process for award of the Bid.
- 2.4. Bidding Process:** means the single stage two packet processor the two stage process with the second stage of online forward-Auction. The process will be through open competitive bidding for selection of the Agency to execute the Earning Plan as finalised by the NFR Evaluation Committee.
- 2.5. Earnest Money:** the amount to be deposited in cash, demand draft, bankers cheque, pay order by the Proponent to the Railway Authority, for consideration of his Unsolicited Proposal by the Railway. This amount shall be adjustable against the Performance Security required as per the Agreement to be entered into by the Railway on

Selection of the successful Bidder as per the Bidding Process. The Earnest Money will be 1% of the average annual Earning from the project/scheme as proposed in the commercial offer submitted by the Proponent, subject to a minimum amount of Rupees Twenty Five Thousand (₹ 25000). No interest is payable by the Railway on the Earnest Money.

- 2.6. **Earning Plan:** A detailed report of the project/scheme to be prepared by the Proponent outlaying the planning and implementation of the project/scheme. The plan shall contain detailed technical specifications of the technology used and detailed process flow, evaluation of the existing resources, detailed layout and flow diagrams for implementation, time schedule for implementation, quantification of work, detailed financial analysis outlining the cost and earnings projections, parameters for bid documentation and any other information relevant to the project/scheme.
- 2.7. **Highest Bid:** mean the Bid offered by the Highest Bidder to the Railway pursuant to the Bid invited by the Railway.
- 2.8. **Highest Bidder:** means the eligible bidder who is offering the highest offer to the Railway.
- 2.9. **NFR Evaluation Committee:** It is an empowered committee comprising of 3-4 members constituted for assessing the pre-feasibility of an Unsolicited Proposal and granting approval to the same for further processing and selection of Agency. The committee will be headed by AGM/ADRM and will comprise one officer from the department receiving the project proposal who shall be the convenor, one officer from finance department and one or more officer from any other department, preferably related to project/programme execution. The committee will be a standing committee nominated by the Railway Authority for all such proposals received in its jurisdiction. The committee members should be preferably at the level of JAG/SG/SAG officers. In case a JAG level officer is not available, a Senior Scale officer can be nominated by the Railway Authority.

- 2.10. Programme Officer:** the officer of the concerned executive department receiving the Unsolicited Proposal after approval by the NFR Evaluation Committee who shall be responsible for preparation of Bid Documents based on the approved Earning Plan of the Proponent and invitation and finalisation of Bids following the Bidding Process. The officer shall be preferably at the level of JAG or above.
- 2.11. Proponent:** shall mean any person or legal entity whose submits an Unsolicited Proposal for consideration of the NFR Evaluation Committee in accordance with this policy.
- 2.12. Railway:** As defined in the Railway Act, 1989 and any subsequent amendments to the Act.
- 2.13. Railway Authority:** means the DRM or GM, under whose jurisdiction the location of the project/concept/scheme identified by the Proponent falls. Where the location is within a Division, the Railway Authority shall be the DRM of the Division. Where more than one divisions of a Zonal Railway are covered by the project/scheme, then the GM of the concerned Zone shall be the Railway Authority.
- 2.14. Technical Advisor:** the advisor or consultant for the project/scheme appointed by the Railway Authority for providing technical, financial, legal or any other service and assisting the authority in selection of the successful Bidder.
- 2.15. Term:** the tenure of the Agreement to be entered into by the Railway with the selected bidder which shall not be more than 5 years.
- 2.16. Unsolicited Proposal:** An Unsolicited proposal is a written application for a new or innovative idea submitted to the Railway for enhancement of non-fare revenue on the initiative of the offer or for the purpose of obtaining a contract with the Railway, and is not in response to a request for proposals, tender, Announcement, expression of interest, or any other Government-initiated solicitation or program. An existing concept, which is not being covered by any of the existing policy of Railways, will also be considered under this policy.

3. Process Flow:

- 3.1. Submission of Proposal:** the Proponent after having identified the potential location for execution of the concept/project/scheme will prepare a techno-commercial proposal containing the feasibility study report for submission to the Railway Authority. The proposal shall contain a broad indication of demand and availability of the product/service, required sources for development of the project, broad details of process and technology to be used, broad process description and layout plans, available facilities in the project in relation to existing facilities, abstract capital cost, broad earning-profitability analysis, project schedule and any other information relevant to the proposed Project/Scheme. The Proponent shall submit the proof of having deposited the Earnest Money to the Railway along with his proposal and other documentary submissions as given in the Annexure to this policy. In case where the Railways receives similar proposal from two or more Proponents, then the order of priority for examination of the proposal will be the time/date of receipt by the Railways. The time and date will be marked at the time of receipt of the proposal.
- 3.2. Examination of Proposal:** The proposal shall be examined by the NFR Evaluation Committee approved by the Railway Authority. The following points shall be kept in mind by the Committee while examining the proposal.
 - 3.2.1.** Whether any current project and development plan is in process for the proposed site/location and the proposal is first pointed out to Railway.
 - 3.2.2.** Whether the project/scheme proposed is needed by the Railway has to be seen.
 - 3.2.3.** The operational feasibility, legality and whether the project makes sufficient earning in relation to the efforts will have to be examined by the Committee.
 - 3.2.4.** The proposal should not be covered under any other existing policy of Railway Board.

3.2.5. The proponent should have sufficient technical and financial capacity so as to be able to execute the project/scheme. The Proponent should not be blacklisted by Central govt. /any state govt. /semi govt. agency. An undertaking that the Proponent hasn't been blacklisted by any government institution must be submitted. The capacity of the proponent shall be examined as per the criteria laid down below.

-Technical Capacity: The Proponent should have experience of execution of similar projects/schemes in the past 3 years immediately preceding the date of submission of proposal. The average annual earnings from such single similar project should be at least 35% of the average annual earnings given in the commercial offers part of the Unsolicited Proposal. Similar nature of work will be as defined by the Railway Authority.

-Financial Capacity: The Proponent must submit its Audited Annual Reports of last three financial years immediately preceding the date of submission of proposal so as to assess its financial capacity by the Railway. The Total Gross Revenue of the Proponent in the last three preceding financial years should be at least equal to the total earnings projected in the commercial proposal submitted to the Railway.

The Committee may seek any clarification or supplemental information from the Proponent for evaluation of the proposal within the stipulated time. The project/scheme initiation shall not be done by the Railway Administration if any of the above conditions are not satisfied.

3.3. In Principle Approval of the Proposal: After due examination of the proposal by the NFR Evaluation Committee, the proposal will be recommended for acceptance by the Railway Authority and the Proponent will be asked to submit a detailed project report. In case of any disagreement between the Committee members,

the final decision will be taken by the competent Railway Authority. The NFR Evaluation Committee shall make all out efforts to take a decision within the stipulated time. In case the committee is unable to finalise the decision within time, then it shall seek further extension by taking approval of the competent Railway Authority.

3.4. Submission of the Earning Plan by the Proponent: the Proponent will prepare a detailed report containing the Earning Plan which will include technical and financial details along with the bid parameters within the agreed time frame for implementation of the project/scheme and will submit the same for consideration to the NFR Evaluation Committee. The following documents will be submitted to the Committee within 30 days of acceptance of proposal by the Railway Authority:

- (i) Earning Plan
- (ii) Cost of preparation of Earning Plan
- (iii) Commercial Offer.

The Committee may moderate the proposal for maximising the revenue potential of the Railway by suitable modifications to the Earning Plan. The moderated proposal including the bid parameters will be approved by the competent Railway Authority. The financial offer of the Proponent will be kept in a sealed cover which shall be opened on the day of the opening of the financial offers of the Bidders during the Bidding Process.

If the Proponent is not agreeable to the moderations suggested by the Railway, then the Railway shall invite an Open Tender for the modified proposal within 30 days of receiving the refusal from the Proponent. On such refusal, Proponent shall have no other right or claim on the Railway, including Earning Plan Compensation and only his Earnest Money will be returned without any interest.

3.5. Preparation of Bid Documents and initiation of bidding Process: The moderated and approved Earning Plan will

then be submitted to the Programme Officer for preparation of bid documents and initiation of Bidding Process. The Bid Document fee, Earnest Money etc shall be decided by the Railway Authority as per the existing commercial circulars for Earnings Tender in Railways. The eligibility criteria shall be the same as prescribed for the Proponent which can be suitably modified by the Railway Authority in consultation with Finance. The Programme Officer may seek the assistance of a Technical Advisor (TA) for preparation of the Bid Documents if required. The Bid document will be approved by the Programme Officer for Bid Processing.

3.6. Bidding Process: The Bidding Process including invitation of bids, evaluation by tender committee, acceptance of tender, and issue of letter of award etc. will be done by the Railway. The NFR Evaluation Committee and the Railway Authority shall act as the Tender Committee and the Tender Accepting Authority, irrespective of the value of Tender. The Bidders shall be requested to quote their financial offers as per guidelines of the Bid Document. The Bidders will not be allowed to submit any conditional offer or propose any change in the scope of the project/scheme as laid down in the Bid Document and finalised by the Railway. The offer of the Proponent shall be opened along with the financial offer of the qualified bidders. No earnest money would be required to be submitted by the Proponent during the Bidding Process and the Earnest Money submitted during the Submission of proposal stage will be considered for evaluation.

3.7. Right of First Refusal to Proponent: in case the Proponent is not the Highest Bidder and other Bidder is the Highest Bidder, then the Proponent shall be given the Right of First Refusal and an opportunity to match the Highest Bid. The Railway shall within 15 days of opening the financial bid, intimate the Proponent through

Letter/Fax about the Highest Bidder and the Highest Bid quoted by the Highest Bidder.

The Proponent shall respond within 7 (seven) days from the date of receipt of this intimation whether it wants to match the Highest Bid or not. In case the proponent successfully matches the Bid made by the Highest Bidder within the stipulated time frame, the Proponent shall be notified as the Selected Bidder and awarded the Project.

However, in case the Proponent is not able to match the Highest Bid within the stipulated time frame, or in case the Proponent fails to fulfil the requirements of the Railways and execute the agreement, or in case the Proponent withdraws from his offer or is not selected for any reason, then the Project will be awarded to the Bidder offering the Highest Bid who shall be then declared as the Selected Bidder. In such cases, the Earnest Money deposited by the Proponent shall be forfeited by the Railway except when the Proponent is not able to match the Highest Bid within the stipulated time frame.

In case the Highest Bidder becomes the selected Bidder and fails to fulfil the requirements of the Railway or execute the Agreement or in case Selected Bidder withdraws or is disqualified for any reason, the Railway Authority representing the Railway may, in its discretion, annul the Bidding Process.

- 3.8. Earning Plan compensation: In case the Proponent is not the Selected Bidder subsequent to the Bidding Process, the Proponent would be eligible to receive from the Selected Bidder through the Railway, an amount inclusive of all applicable taxes and duties equal to 2% of the average annual earnings of the Highest Bid which shall be payable by the Selected Bidder. The maximum compensation payable to the Proponent would be ₹ 1 (one) crore. This amount would be due compensation for the cost incurred by the Proponent for its efforts and works undertaken by it in conceptualisation of the Project/Scheme and preparation of the Earning Plan.**

4. Role of Technical Advisor (TA)

- 4.1. Panel of TA:** Railway Authority shall process for appointment of a panel of TA consisting of not more than 6 consultancy firms, each of them having sufficient expertise in the different area of studies such as project appraisal, real estate, financial modelling, law, marketing etc. The nomination of TA can be made from this panel on a case to case basis duly ensuring a fair and transparent process of selection.
- 4.2.** The engagement of TA should be purely on need basis and all efforts should be made to develop the capacity within the Railway system for dealing with such process.
- 4.3.** Railway may appoint a Technical Advisor (TA) from the approved panel if required on case to case basis through a fair and transparent process of selection so as to assist the Railway in examining the detailed proposal received from the Proponent or for managing the bid process. The appointment of TA shall be made on recommendation of the NFR Evaluation Committee by seeking approval of the Railway Authority. The committee shall also finalise the scope of work of TA while seeking approval.
- 4.4. Payment to TA:** A success fee based model of payment can be adopted to make payments for the services rendered by the TA. The success fee shall be 1% of the Average Annual Earnings receivable by the Railway after finalisation of the Bidding Process. This would be subject to an upper ceiling of ₹ 25 (Twenty Five) lakhs for a project. The payment shall be made only on successful award of the Project/Scheme. There shall be no separate budgetary provision for making payments to the TA and the payment shall be due only on successful selection of the Agency.
- 4.5. Scope of work of TA:** The scope of work of TA may include the following list of activities. The list can be modified on case to case basis by taking approval of the Railway Authority.

- 4.5.1. The Earning Plan shall be examined with respect to technical and technology specifications, cost estimates, drawings, Internal Rate of Return (Project IRR and Equity IRR), life of project/scheme etc.
- 4.5.2. Financial analysis and modelling including determining the project cost, project revenues, viability and risk analysis, earning-profitability analysis, Value for Money analysis etc. to ensure proper benchmarking.
- 4.5.3. The TA is required to see whether the broad parameters that need to be adhered to by the selected bidder on environment and social safeguards (if required) to the proposal during the implementation period has been specified.
- 4.5.4. Marketing of the project/scheme by identification of the prospective Bidders thereby increasing competitiveness of the Bidding Process.
- 4.5.5. Bid Process Management including preparation of Bid Documents, conducting a Pre-Bid Conference advocating the project, development of Project Information Memorandum (PIM) for the prospective Bidders, responses to bid queries, Bid Evaluation Report for appraisal of Tender Committee of the Railways as per the criteria mentioned in the Bid Document etc.

TA shall maintain confidentiality of the process and should not have any conflict of interest with any of the Bidders, Proponent or the Railway.

5. Time Frame for processing:

The model time frame for processing the Unsolicited Proposals by the Railways is as laid down below. All efforts should be made to strictly adhere to the time line.

S. No.	Activity	Target Date
1	Receipt of the proposal by Railway Authority	D
2	Examination of the proposal by NFR Evaluation Committee (15 days)	D + 15

3	Acceptance of proposal by Railway Authority (5 days)	D + 20
4	Submission of Earning Plan (30 days)	D + 50
5	Appointment of TA, if required	D + 50
6	Moderation of Earning Plan by NFR Evaluation Committee in consultation with Proponent (15 days)	D + 65
7	Preparation of Bid Documents as per approved Earning Plan and invitation of Bids (25 days)	D + 90
8	Opening of Bids (21 days)	D + 111
9	Finalisation of Bids including briefing note, tender proceedings etc(30 days)	D + 141
10	Right of First Refusal to proponent (15 + 7 days)	D + 162
11	Selection of Agency (3 days)	D + 165

Changes in the model time frame can be made if sufficient justification exists by keeping the Railway Authority informed.

6. Short-Term proposals:

- 6.1. Occasionally a proposal may be received by the Railway wherein an earning opportunity is created for a very short duration not exceeding three months. Instances of such cases are, rights at a particular location for a very short duration, vinyl wrapping on a special train booked on FTR, setting up of a temporary kiosk at a location for a few days etc. In case such an Unsolicited Proposal is received for a scheme where the activity is to be performed in a very short time span and where the normal process and timelines will lead to delay causing the proposal to lapse, then the Railway Authority may approve the proposal and select the Agency after inviting Bidders through an open advertisement in newspapers/websites bulletins etc. The proponent will have the option to exercise the Right of First Refusal in case he is not the Highest Bidder

- 6.2. The normal time frame and procedure as elaborated in the above paragraphs will be compressed to expedite the decision making process. The following conditions must be ensured for consideration of such proposals.
- 6.2.1. The proposal should be a one-time proposal only.
- 6.2.2. The maximum term of the activity proposed shall be three (3) months only.
- 6.2.3. The proposal received should not be repetitive in nature and no two similar proposals should be entertained from the same Proponent or any other person/entity where the earlier selected Proponent has any direct or indirect control.
- 6.2.4. It should be ensured by the Railway Authority that the Railway will be unable to follow the normal procedure and timelines and any delay due to this will lead to the proposal getting lapsed.
- 6.2.5. Non acceptance of the proposal will lead to a loss of Revenue for the Railway.
- 6.3. The proposal will be considered for approval in a compressed time-line as given below.

S. No.	Activity	Target Date
1	Receipt of the proposal by Railway Authority	D
2	Examination of the proposal by NFR Evaluation Committee (3 days)	D + 3
3	Acceptance of proposal by Railway Authority (3 days)	D + 6
6	Moderation of Earning Plan by NFR Evaluation Committee in consultation with Proponent (2 days)	D + 8
7	Advertisement in local newspaper/websites/bulletins etc with minimum 7 days notice inviting Bidders to submit their offer on the moderated Earning Plan of the Proponent (3 + 7 days)	D+ 18
8	Opening of Bids, preparation & vetting of comparative statement (3 day)	D + 21

9	Right of First Refusal to Proponent (1 day)	D + 22
11	Selection of Agency (1 day)	D + 23

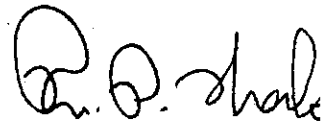
7. E-Auction for calling of Bids:

- 7.1. The policy has the objective to move to a system of forward auction for calling of Bids using electronic auction as a medium. This shall be done in a phased manner once the Railways have sufficient expertise and domain knowledge for dealing with such unsolicited proposals. Accordingly, an online platform for conducting E-Auction for unsolicited proposals will be developed in due course. Till such time, the existing process of Bidding shall continue. The broad guidelines for calling of E-Auction are laid down in this paragraph.
- 7.2. E-Auction duration will be 1 (one) hour which will be extendable by 5 (five) minutes each time a bid is received.
- 7.3. The financial offer of the Proponent will be kept as the Base Price for the Auction to start.
- 7.4. 10% of the Base Price would have to be deposited by the prospective Bidders to participate in the Auction as Earnest Money.
- 7.5. The Bidders would be required to get registered on the E-Auction platform to be able to participate.
- 7.6. The Bidders will have to keep their financial offer open for 30 days for finalisation of the selection process.
- 7.7. The detailed instructions for online forward auction would be made available on finalisation of the E-Auction platform and would be available online for information.

With this policy Railway hopes to increase its Non-Fare Revenues in a competitive and transparent manner, foster innovation and new ideas, tap unexplored potential earning sources so as to reduce the burden on internal resources by encouraging both public and private participation.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

Kindly acknowledge the Receipt of this letter.



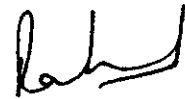
(R. P. Thakur)

Executive Director (Traffic Commercial)
Non fare Revenue
Railway Board

No. 2017/NFR/20/2

New Delhi, dated 10/01/2017

Copy to: FA&CAO, All Indian Railways, for information & necessary action.



For Financial Commissioner,
Railway Board

Annexure 1: Certificate provided by Proponent accepting Swiss Challenge Method

(To be furnished by proponent in a non-judicial stamp paper of Rs 100)

IT IS CERTIFIED THAT:

1. The..... (Name of project/scheme) has been submitted by the undersigned as the duly authorized representative of..... (Name of Proponent) under the Swiss Challenge Method. The proponent will support fair competition through the Bidding Process of the Railway to obtain the best bid. The proponent agrees to the approved Earning Plan, bidding documents, Agreement form and other terms and conditions of the Railway as per their policy.
2. The proponent does not expect to receive reimbursement of project development cost (pre-feasibility or any other studies); only in case the project is not approved by the Railway or the Railway decides not to proceed with project for any reason at later stage before the Bidding Process. Any reimbursement to the proponent would be governed strictly as per the policy of the Railway.
3. It is also certified that the Proponent has not been barred or blacklisted for unsatisfactory performance by any Central Government, State Government or Semi-Government Agency.

That the above statements are true to the best of my knowledge and belief.

Dated:

*(Signature,
Name and Designation of
Authorised Representative of
Proponent)*

Annexure 2: Checklist for assessment of proposal by the NFR Evaluation Committee

S. No.	Description	Yes/No	Particulars	Ref/Annexure
I. General Information on the Project				
1	Define the proposal			
2	Establish whether it is a new or innovative proposal or not and explain the reason for the project being new or Innovative			
3	Characteristics of the Project			
4	Cost and Other Details			
5	State whether the Certificate has been submitted by the proponent adhering to the Swiss challenge method			
6	Details of possible competing projects and Likely impact of the project on the competing project			
II. Assessment of Need of the project				
1	Nature of intended use			
2	Justification of need			
III. Details on innovative technology (applicable in case of new technology)				
1	State details of innovative technology used for the project			
2	Is the technology proprietary and only available to a few?			

3	(a) Why should the Railway go for this technology only?			
	(b) What if sourcing of another technology has to be made in future during the life of the project for any reason?			
IV. Eligibility of the proponent to undertake the project				
1	Is proponent planning to undertake the project on its own or through a consortium to meet the technical, financial and technological needs? Please elaborate			
V. Prefeasibility report				
1	State whether the proponent conducted prefeasibility			
2	State whether the preliminary financial viability of the project has been done			
3	State whether the proponent shall undertake all the studies which are required within the given timeframe			
VI. Project Financials				
1	Service/ Output levels (Specify if applicable)			
2	Earnings to Railways (Specify) and their variation with time			
3	Provide all IRR/NPV details of the project			

	from income from operations and other forms			
VII. Environmental assessment				
1	State whether the environmental assessment is required for the project			
2	State whether the proponent has mentioned all related approvals required forth project			
VIII. Qualification of project proponent				
1	State whether the proponent satisfies the technical qualification criteria			
2	State whether the proponent satisfies the financial qualification criteria			
3	Any other, if required			
IX. Any other				
	Any other item/ observation which are relevant?			

Dated

*(Signature,
Name and Designation of
Authorised Representative of
Proponent)*

Note:

1 The above format could be modified or additional information sought by the Railway any time in future.

2 The above reply has to be provided by the Proponent in signed hard copy and soft copy.

Annexure 3: Documentary Submissions with the initial proposal to be made by the Proponent

S. No	Item	Yes/No
1	Covering Letter from Head of the Organisation	
2	Project Information Memorandum/Concept Plan	
3	Pre-Feasibility Report	
4	Qualification Documents of Proponent displaying technical and financial capacity	
5	Details of any policy changes required for implementation	
6	Certificate as per Annexure 1	
7	Checklist as per Annexure 2	
8	Requisite Earnest Money Deposit in the required format	

*(Signature,
Name and Designation of
Authorised Representative of
Proponent)*