Government of India (भारत सरकार)
Ministry of Railways (रेल मंत्रालय)
Railway Board (रेलवे बोर्ड)

No.TCR/1078/2016/14 New Delhi, dated 29.05.2018

The General Managers
All Indian Railways.

Sub: IMPLEMENTAION AND MONITORING OF LTTC

Ref: (i) Board's letter No.TCR/1078/2016/14 dated 30.03.2017
     (Rates Circular No.14 of 2017)
     (ii) Board's letters No.TCR/1078/2016/14 Pt. dated 21.06.2017
          and 04.09.2017

LTTC policy guidelines were issued vide Rates Circular No.14 of 2017. Some
clarifications have also been issued for implementation of LTTC policy under reference
(ii) above.

So far, 26 agreements under LTTC have been signed on various Zonal Railways.

A suitable implementation and monitoring mechanism must be put in place by
Zonal Railways at field level.

Board is, therefore, of the view that Zonal Railways should devise a robust
mechanism for monitoring the policy and issue a comprehensive JPO by associating
officials of Commercial, Operating and Accounts departments of Zonal Railways.

The JPO should broadly include following:

1) Detailed procedure for processing of LTTC applications; specifically mentioning role
   of each department and prescribing timelines for each activity.

2) Activity-wise responsibility laid down for each concerned official/staff.

3) Field level officers/staff must be pin-pointed for data collection, verification and
certification; while processing/finalising applications as well as for assessing
performance vis-à-vis benchmark.

4) For reconciliation of data for LTTC, Zonal Railway shall take the data available with
FOIS. After undertaking preliminary check of the data by Commercial Department
and after obtaining an undertaking from the customer that the data is correct, the
data may be verified and finalised with the concurrence of Associate Accounts
accordingly. The whole process should be completed within 15 days. Zonal Railway
must ensure co-ordination of all Zonal Railways involved for data verification and to avoid duplication.

5) A read-only report is available on FOIS for assistance of Zonal Railways. It contains details of LTTC agreements uploaded, including details of plants, loading points, commodity/traffic stream, etc. Screenshots are attached as Annexure-B.

6) A joint team of Commercial and Operating Supervisors at field level (CMI&Ti) must be formed to monitor the functioning of LTTC. A check-list or non-exhaustive scope of work for the joint team must be laid down with the objective to ensure working as per spirit of policy and to keep a check against any fraudulent activity/malpractice or diversion of existing goods traffic. The team must submit report periodically to the nominated officer of the Commercial Department as to be prescribed by JPO (may be monthly). Traffic Accounts Office should also carry out checks on LTTC as part of regular inspection of TIA. Any irregularity noticed should be reported by TIA to the designated Accounts and Commercial officer for remedial actions.

7) Zonal Railway must lay down timelines and procedure for regular (say monthly or quarterly) review of customer performance vis-à-vis BGFR and MGGFR; and all necessary data of loading, earning, RR details etc. must be tallied as per (4) above, to ensure smooth and timely processing of refund/rebate within prescribed time limit.

8) Zonal Railway may frame modalities for freight concession, as applicable, by way of rebate in RRs, if so opted by customer in accordance with the guidelines issued for LTTC policy from time to time.

9) Commercial and Operating Departments must work out a mechanism for supply of wagons as per agreement between Railways and the customer.

Zonal Railways may please send compliance report within 21 days of issue of this letter.

Above list is not exhaustive. Zonal Railways may modify/add to above as deemed fit. Zonal Railways may also review the efficacy of JPO at regular intervals, as decided at the time of framing the JPO.

Modalities for refund/rebate, etc. are also enclosed for guidance of Zonal Railways. (Annexure-A)

This issues in consultation of Finance Directorate in the Ministry of Railways.

(Pallavi Joshi)  
Director, Finance (Comm.)  
Railway Board

(Sanjay Kumar Jha)  
Dy. Director, Traffic Comm. (Rates)  
Railway Board

Copy to:

1) PFA, All Zonal Railways
2) CAO/FOIS for kind information and necessary action.
3) GM(FOIS)/CRIS for necessary action.
Sub: Long Term Tariff Contract (LTTC) with key customers using pre-determined price escalation principle – Method of calculation of refund/rebate regarding.

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Under LTTC, following types of rebate are available:

(i) Rebate based on incremental growth in GFR over and above the BGFR. Rebate will be given on total AGFR of individual year subject to MGGFR of that year being met.

(ii) Rebate on retention of traffic.

Aforesaid rebates are subject to the condition that after all rebates net freight should be not less than freight of Class-100.

To arrive at freight of Class-100, the average lead is required to be known.

Average lead for a company may be arrived at by dividing the Total NTKM offered by the company under LTTC by total volume offered by the company under LTTC.

The freight of Class-100 may be arrived at Company’s average lead and compared with the Total freight minus applicable rebate amount under LTTC. Net freight, however, shall not be less than the freight of class 100.

Illustration:

Scenario-I

Let us assume that company A has signed an agreement under LTTC for three years w.e.f. 1.08.2017 to 31.07.2020. A was offering Rs.1000 crore revenue (excluding applicable tax, if any) during previous year i.e. 01.08.2016 to 31.07.2017 and has committed for MGGFR @ Rs.1050 crore (01.08.2017-31.07.2018), Rs.1103 crore (01.08.2018-31.07.2019) and Rs.1158 crore (01.08.2019-31.07.2020) respectively. Total NTKM during first year of agreement is 4600 million NTKM and volume of traffic is 10 Million tonne. AGFR during 01.08.2017-31.07.2018 is Rs.1060 crore.

Method of Calculation

Calculation of rebate and its comparison with freight of Class-100 will be as under:

<table>
<thead>
<tr>
<th>BGFR</th>
<th>Rs. 1000 crore</th>
<th>Revenue to IR during 1.08.2016 to 31.07.2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MGGFR</td>
<td>Rs.1050 crore</td>
<td>5% more than BGFR</td>
</tr>
<tr>
<td>AGFR</td>
<td>Rs.1060 crore</td>
<td>Actual revenue before rebate during the period 1.08.2017 to 31.07.2018</td>
</tr>
<tr>
<td>Growth in AGFR over BGFR</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Applicable Rebate under LTTC for incremental growth in GFR</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>Rebate amount</td>
<td>Rs.15.9 crore</td>
<td></td>
</tr>
</tbody>
</table>
Effective freight amount (after rebate) | Rs.1044.1 crore
---|---
If company eligible for retention of traffic, then rebate for retention on total AGFR | 1%
Rebate amount | Rs.10.6 crore
Effective freight amount (after both the rebate) | Rs.1033.5 crore

Freight at Class-100:

Average lead of traffic offered by company A during 01.08.2017 to 31.07.2018 is 4600 million NTKM + 10 million tonne = 460 km

<table>
<thead>
<tr>
<th>Average lead arrived at</th>
<th>460 km</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume</td>
<td>10 MT</td>
</tr>
<tr>
<td>Base freight (per tonne)</td>
<td>Rs.461.30</td>
</tr>
<tr>
<td>Busy season charge @15%</td>
<td>Rs.89.20</td>
</tr>
<tr>
<td>Normal Tariff Rate (per tonne)</td>
<td>Rs.530.5</td>
</tr>
<tr>
<td>Freight after levy of Development Charge@5% on NTR (per tonne)</td>
<td>Rs.557</td>
</tr>
<tr>
<td>Total freight amount</td>
<td>Rs.557 crore</td>
</tr>
</tbody>
</table>

Net freight after all rebate is Rs 1033.5 cr and freight at Class 100 is Rs 557 cr. Since, net freight is more than freight at Class-100, the rebate amount will be Rs.15.9 crore or Rs.26.5 crore as the case may be.

Scenario-II

Let us assume that company B has signed agreement under LTTC for three years w.e.f. 1.08.2017 to 31.07.2020.

B was offering Rs.500 crore revenue (excluding applicable tax, if any) during previous year i.e. 01.08.2016 to 31.07.2017 and has committed for MGGFR @Rs.525 crore (01.08.2017-31.07.2018), Rs.552 crore (01.08.2018-31.07.2019) and Rs.580 crore (01.08.2019-31.07.2020). The total NTKM during first year of agreement is 4600 million NTKM and volume of traffic is 10 Million tonne. AGFR during 01.08.2017-31.07.2018 is Rs.570 crore

**Method of Calculation**

Calculation of rebate and its comparison with freight of Class-100 will be as under:

<table>
<thead>
<tr>
<th>BGFR</th>
<th>Rs. 500 crore</th>
<th>Revenue to IR during 1.08.2016 to 31.07.2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MGGFR</td>
<td>Rs.525 crore</td>
<td>5% more than BGFR</td>
</tr>
<tr>
<td>AGFR</td>
<td>Rs.570 crore</td>
<td>Actual revenue before rebate during the period 1.08.2017 to 31.07.2018</td>
</tr>
<tr>
<td>Growth in AGFR over BGFR</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Applicable Rebate under LTTC for incremental growth in GFR</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Rebate amount</td>
<td>Rs.14.25 crore</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------</td>
<td></td>
</tr>
<tr>
<td>Net freight amount (after rebate)</td>
<td>Rs.555.75 crore</td>
<td></td>
</tr>
</tbody>
</table>

**Freight at Class-100:**

Average lead of traffic offered by company A during 01.08.2017 to 31.07.2018 is 4600 million NTKM + 10 million tonne = 460 km

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</tr>
<tr>
<td>Total freight amount</td>
<td>Rs.557 crore</td>
</tr>
</tbody>
</table>

As the Net freight is less than freight at Class-100, the minimum freight to be realised is Rs.557 crore. Thus, the effective rebate will be **Rs.13 crore instead of Rs.14.25 crore**.

**Other Issues**

1) Under LTTC, TEFD concession is concurrently available. TEFD policy inter-alia stipulates that the traffic loaded in identified empty flow directions shall be charged at Class-LR1 (trainload), Class-100 &110. If such type of traffic comes under the purview of LTTC, it shall continue to be charged at Class-LR1 or Class-100/110 as the case may be; subject to the condition that total revenue after rebate under LTTC shall not fall below freight of class 100.

Similar methodology may be adopted if there is a traffic availing 6% NE concession for traffic booked to and from NE region or rebate on account of bagged consignment (20% or 30%) in open and flat wagons.

2) In terms of Para 5.3 of LTTC policy, assisted siding policy, various wagon investment schemes and Terminal Development Schemes are eligible for rebate under LTTC policy.

Freight rebate under ‘cost sharing freight rebate model’ of R3i policy shall be permitted concurrently with LTTC policy. As regards other models under R3i policy, there seems to be no justification for their inclusion in the LTTC policy.

4) Further, in case a party who is eligible for freight concessions under various investment schemes (non-freight incentive schemes) as referred to above, intends to come under LTTC scheme, actual freight revenue wherever applicable shall be considered for calculation of BGFR, MGGFR and AGFR.

*Note: “Actual Freight Revenue” refers to the revenue that was actual earnings of Railway; whether on concessional or full tariff.*

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To view the LTTC Contracts, the Railway User shall access the TMS Zonal Queries available at FOIS Website → INTERNAL USERS → TMS Zonal Queries. The user shall login with the credentials provided to access the application.

The Query to view the LTTC Contracts is available at Main Menu → Administration → LTTC → LTTC Query → View LTTC Contracts.
This Query is also available to the normal Railway Users at Main Menu → Miscellaneous → View

LTTC Contracts

All the LTTC Contracts signed by the specific Railway shall be shown to the user. Alongwith the same, all the LTTC Contracts signed by other Railways shall also be shown to the User.

To view the details of any specific LTTC Contract, the User shall select the Contract Id with the option button available on the left column of the Data grid and press the “Get Contract Details” button.
The system shall show all the details of the selected LTTC Contract including the Zonewise Plant details, Subsidiary Organizations and commodity-wise GFR/Volume etc captured in the System.

To print the details of the contract, the User shall use the "Print" link provided at the top.

<table>
<thead>
<tr>
<th>Contract ID</th>
<th>Contract Name</th>
<th>Subsidiary Organization</th>
<th>Commodity</th>
<th>GFR</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>12345</td>
<td>Contract 1</td>
<td>Organization A</td>
<td>Commodity A</td>
<td>123</td>
<td>456</td>
</tr>
<tr>
<td>67890</td>
<td>Contract 2</td>
<td>Organization B</td>
<td>Commodity B</td>
<td>789</td>
<td>098</td>
</tr>
</tbody>
</table>

Note: Subsidiary Organization and Commodity may not applicable.