No.TCR/1078/2016/14

New Delhi, dated 22/10/2018

PCCMs & PCOMs
All Zonal Railways

Sub: LTTC- Fixation of Benchmark (BGFR)

1. Long Term Tariff Policy is an ambitious policy of Indian Railways for retaining and attracting additional freight traffic. Twenty-seven LTTC agreements have been signed by various Zonal Railways till date, which include almost all of important bulk customers of IR.

2. However, it has come to the notice of Board that even after completion of first year of the LTTC agreement, some Zonal Railways have not finalised the benchmark/BGFR data, which is resulting in delays in affecting the rebate on freight due, if any, due on account of incremental AGFR achieved by the customer.

3. The basic principle to be kept in perspective is that all traffic that moved by rail in benchmark year should be reflected in BGFR, so that gap between BGFR and AGFR is not unduly inflated. Secondly, parity in principles while deciding BGFR and AGFR should be maintained. For example: any traffic stream if taken in AGFR, should also have been taken in BGFR. Further, if a portion of BGFR data contained any rebate or discount, but same is not there in AGFR; then BGFR data must be accordingly adjusted.

4. During discussions, following reasons for the delay emerged:

4.1 Zonal Railways have yet not formulated JPOs for implementation and monitoring of LTTC agreements, as advised by Railway Board vide letter of even number dated 29.05.2018.

Advice:

All Zonal Railways are advised to do so at the earliest. This will not only add clarity to principles as well as procedures, but also lay down a common ground for Commercial, Operating and Finance Departments.

4.2 Some Zonal Railways have simply forwarded the TMS data to other Zonal Railways for verification. In absence of any format, the associate Zonal Railways have provided data as per various interpretations.

Advice:

A. Agreement Signing Zonal Railways

1. Data should be asked for with customised format for each agreement, clearly laying down the inclusions and exclusions.
II. Alternatively, data may be asked for in modular formats, and agreement signing Zonal Railway can then decide the data to be included and excluded. Since, the number of agreements per Zonal Railway is not very large and the potential impact is huge, Zonal Railways should give detailed attention to these issues and resolve the same at the earliest.

III. The Zonal Railway signing the LTTC agreement should ask the associating Zones for verification of BGFR clearly indicating the details of customer (all customer codes included in the agreement), stations/sidings, plants, commodities, duration etc.

B. Associating Zonal Railways

1. Data should be provided with due diligence and coordination with data-seeking Zonal Railways must be maintained to be able to provide relevant and accurate data.

5. All agreement-signing Zonal Railways are advised to coordinate with their associating Zonal Railways for verification of data on priority, on case to case basis. Detailed guidelines to deal with specific situation are attached for general guidance of Zonal Railways. Zonal Railways may, however, modify these as per their typical cases, keeping the basic principles outlined above in mind.

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

DA: As above

(Barjesh Dharmani) 
Executive Director/TC (Rates) 
Railway Board

No.TCR/1078/2016/14 
New Delhi, dated 22.10.2018

PFAs, All Indian Railways

For Financial Commissioner (Railways)

Copy to: 
CPM/FOIS- For necessary action please 
GM/FOIS/CRIS- for necessary action please
Guidelines for fixation of BGFR under LTTC

The basic principle to be kept in perspective is that all traffic that moved by rail in benchmark year should be reflected in BGFR, so that gap between BGFR and AGFR is not unduly inflated. Secondly, parity in principles while deciding BGFR and AGFR should be maintained. For example: any traffic stream if taken in AGFR, should also have been taken in BGFR. Further, if a portion of BGFR data contained any rebate or discount, but same is not there in AGFR; then BGFR data must be accordingly adjusted.

Derived from above are the following guidelines:

1. The details of all LTTC agreements signed and uploaded on TMS are available on TMS for aid of Zonal Railways.

2. The contract signing Railway should ask the data from the associating Railways in a customised format for each of the agreement separately clearly indicating the exclusions and inclusions.

3. While furnishing the data, associating Zonal Railways (other than signee Zonal Railway) should include only such inward traffic in LTTC applicant’s data for which applicant is NOT the consignor. This is because, when applicant itself is consignor as well as consignee, such data is already taken in applicant’s outward traffic. As per policy, same data cannot be counted twice. Alternatively, associating Railway may provide details of inward data under separate heads. For eg- if inward data for customer xyz is to be verified for location a, b and c. Then associating Zonal Railway may provide data separately for each location under following heads- (i) from consignor xyz to consignee xyz (ii) consignor ‘other than xyz’ to consignee xyz, so as to avoid any confusion.

4. If certain inwards of LTTC applicant/customer (where the applicant is only consignee for certain streams of traffic) have already been taken as outward by their respective consignors in their signed LTTC agreements; then such data should not be taken in inwards of applicant for fixing benchmarks.

5. It may be noted that TMS, while marking the RR’s with unique contract IDs for assessing performance/AGFR data, marks one RR for LTTC rebate in favour of one customer only. So, if both consignor and consignee for a particular stream (O-D point and commodity code) are under LTTC; TMS shall give priority to consignor and add that RR to consignor’s performance.

Therefore, it is important that consignee of such traffic should not take this data in its BGFR also.

6. If the associating Zones verifying data on request of signee Zonal Railway encounter any variation from data that the signee Zonal Railway has sent for verification, it may try to list the possible causes of such variation, and may also try to quantify tonnage and revenue variation caused by such causes/factors.

7. If the consignor for certain traffic stream has not signed LTTC so far, such traffic can be included in applicant’s BGFR as well as AGFR as inwards, even when applicant may be only consignee for such traffic, and not consignor.

If, on a later date, the consignor of such traffic wishes to enter LTTC, it will not get the benefit of streams (if) already taken by its consignees. That is, the agreements already signed and uploaded shall remain as it, as far as such case is concerned.
8. The objective of data collection/verification is that BGFR and AGFR should be comparable. None of these should be erroneously inflated. Further that STS concession and LTTC concession cannot be availed concurrently.

As far as AGFR/performance data in TMS is concerned, if STS is granted across any RR, same RR is not marked with unique contract ID, even if it is otherwise eligible for such marking. That is, those RRs where STS was granted, is not taken in to evaluate performance in contract year.

(i) If LTTC applicant as consignor has availed of STS concession during part or whole of benchmark year (but not under STS in agreement year):

The STS rebate/refund given during benchmark period should be included in/added to BGFR. The BGFR data should include STS traffic on full tariff.

(ii) If LTTC applicant is consignee only for certain traffic, and its consignor has availed STS during part or whole of benchmark year:

Same as explained in para 8(i) above. The STS rebate/refund given to consignors (who is distinct from LTTC applicant) during benchmark period should be included in/added to BGFR. That is, BGFR data should be on full tariff. For this, the Zonal Railway processing the LTTC application shall need to ask the outward Zonal Railways along with a list of such consignors (for the said LTTC applicant) for details of amount of STS rebate/refund given on loading during benchmark period on the traffic streams for particular commodities, which are proposed to be included on LTTC.

(iii) If LTTC applicant is consignee only for certain traffic, and its consignor has availed STS during part or whole of benchmark year as well as is continuing to avail STS concession in contract year/performance year:

Such streams/data should not be taken in BGFR for LTTC, because as explained above TMS shall not take such RRs in performance/AGFR, which avail STS concession also. So, such streams/data should ideally be out of BGFR as well as AGFR. Because the benefit under STS and LTTC cannot be given concurrently. It may be kept in view that STS agreement at their peak reached only about 70-80 agreements, most of which were concentrated in 2-3 Zonal Railways. Therefore, empirically speaking, hardly any agreement is likely to face this situation

9. It is reiterated that the Zonal Railways should frame JPO as per Board’s guidelines dt 29.05.20118, keeping in view their local conditions/cases. The basic principle to be kept in perspective, as stated above is, all traffic that moved by rail in benchmark year should be reflected in BGFR, so that gap between BGFR and AGFR is not unduly inflated. Secondly that parity in principles while deciding BGFR and AGFR should be maintained. For eg, any traffic stream if taken in AGFR, should also have been taken in BGFR. If a portion of BGFR data contained any rebate or discount, but same is not there in AGFR; then BGFR data must be accordingly adjusted.

10. The Zonal Railways are administratively sufficiently equipped with resources and structures to work out these issues in detail and resolve the same.

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