



**RATING**  
*OF*  
**FREIGHT BUSINESS**  
*ON*  
**INDIAN RAILWAYS**

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# DISCLAIMER



*Views expressed in this lecture are that of the speaker and may not necessarily reflect the official views of either the Commercial Directorate or Ministry of Railways. Thank you very much for your understanding and kind co-operation.*



# Outline of the Lecture

- Indian Railway Act.
- Structure of Rates Branch.
- Functions of Rates Branch.
- Traditional Freight Structure.
- Classification of Goods.
- Freight rates for different classes.
- Passenger fares for different classes.
- Formation of Budget proposals.
- Private Container Operators.
- Railway Rates Tribunal.



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# Outline of the Lecture



- **Indian Railway Act.**



# Indian Railway Act

- Railway Act 1989.
- Chapter VI deals with Fixation of Rates.
- Section 30 (1)
- The Central Government may
  - from time to time,
  - by general or special order fix,
  - for the carriage of passengers and goods,
  - rates for the whole or any part of the railway, and
  - different rates may be fixed for different classes of goods, and
  - specify in such order the conditions subject to which such rates shall apply.



# Indian Railway Act

- Section 30 (2).
- The Central Government may by a like order,
  - fix the rates of any other charges incidental to or connected with such carriage,
  - including demurrage and wharfage,
  - for the whole or any part of the railway, and
  - specify in the order the conditions,
  - subject to which such rates shall apply.



# Indian Railway Act

- Section 31
- The Central Government\* shall have power to :
  - (a) classify or reclassify any commodity for the purpose of determining the rates to be charged for the carriage of such commodities.
  - (b) increase or reduce the class rates and other charges.





# Indian Railway Act

- Section 32
- Notwithstanding anything said in this Chapter, a railway administration\* may,
  - in respect of the carriage of any commodity, and
  - subject to such conditions as may be specified;
    - (a) quote a station to station rate,
    - (b) increase or reduce or cancel a station to station rate,
    - (c) withdraw, alter or amend the conditions attached to a station to station rate, and
    - (d) charge any lump sum rate.



# Indian Railway Act



- Section 70.
  - A railway administration shall not make any or give any undue or unreasonable preference or advantage to,
  - in favour of any particular person or any particular description of traffic in the carriage of goods.
- Section 71. (1)
  - The Central Government may if it is of the opinion that it is necessary in the public interest to do so,
  - by general or special order, direct any railway administration –



# Indian Railway Act

- (a) to give special facilities for, or preference to,
- carriage of such goods or class of goods consigned by or to
- the Central Government or the Government of any State, or
- of such other goods or class of goods.
- (b) to carry such goods or class of goods by such route or routes and at such rates;
- (c) to restrict or refuse acceptance of such goods or class of goods at or to such station of carriage,
- as may be specified in that order.



# Indian Railway Act



- Section 71.
- (2) Any order made under sub-section (1) shall cease to have effect after the expiration of a period of one year from the date of such order,
  - but may, by a like order, be renewed from time to time for such period not exceeding one year at a time as may be specified in the order.
- (3) Every railway administration shall be bound to comply with any order given under sub-section (1), and
  - any action taken by a railway administration in pursuance of any such order shall not be deemed to be a contravention of section 70.\*



# Indian Railway Act

- Section 72.
- (1) The gross weight of every wagon when loaded to its maximum carrying capacity,
  - shall not exceed such limit as may be fixed by the Central Government.
- (2) Subject to the limit fixed under sub – section (1), every railway administration shall determine the normal carrying capacity for every wagon.



# Indian Railway Act

- Section 73.
- Where a person loads goods in a wagon beyond its permissible carrying capacity as exhibited,
  - a railway administration may, in addition to the freight and other charges,
  - recover from the consignor, the consignee or the endorsee, as the case may be,
  - charges by way of penalty at such rates, as may be prescribed, before the delivery of the goods.



# Indian Railway Act

- Section 78.
- Notwithstanding anything contained in the railway receipt, the railway administration may, before the delivery of the consignment, have the right to
  - Re-measure, re-weigh or re-classify any consignment;
  - re-calculate the freight and other charges; and
- correct any other error or collect any amount that may have been omitted to be charged.



# Outline of the Lecture

- Indian Railway Act.
- **Structure of Rates Branch.**





# Structure of Rates Branch

- Minister for Railways.\*
- Railway Board which for rating purpose consists of Member Traffic, Financial Commissioner and Chairman.
- Additional Member/Commercial.\*
- Adviser/Rates.
- Director/Rates.
- Deputy Director/Rates.\*
- Chief Rating Officer.
- Two sections – TC/R, TC–I.
- Each section consists of :
  - Section Officers.
  - Commercial Inspectors.
  - Assistants.



# Structure of Rates Branch

- All rating proposals have financial implications,
  - hence all of them are required to be routed through the Finance Directorate.
- Proposals are sent to finance after these have been approved by Additional Member/Commercial.\*
- The proposals thus sent are the consolidated views of the Commercial Directorate.



# Structure of Rates Branch

- Thereafter the file is marked to Adviser/Finance.
- Marked downward to :
  - SO/Finance.
  - Director/Finance.
  - ED/Finance.
- Back to Adviser/Finance.
- Proposals thus cleared with remarks are the consolidated views of the Finance Directorate.
- Approved by Member Traffic.\*
- Vetted by Financial Commissioner.
- Sanctioned either by CRB or by MR.
- All the above functionaries are involved in the rating process.\*



# Outline of the Lecture

- Indian Railway Act.
- Structure of Rates Branch.
- **Functions of Rates Branch.**



# Functions of Rates Branch



- Decision regarding freight rates of different commodities is a centralized function of Railway Board.
- As per Railway Act this power vests only with Ministry of Railways.
- Independent of Ministry of Finance.
- Railway Board need not go even to Parliament for increasing/decreasing of railway freights.
- This has been so legislated in order to ensure that there is uniformity of freight rates throughout the country.
- Historical background of company railways.\*
- Provides for better seamless operations as far as realization of freight charges are concerned.\*



# Functions of Rates Branch



- The first exception is in case of giving station to station rates by zonal railways.
- The second exception is in case of giving of rebates under specified laid down schemes, where powers have been delegated to Zonal Railways.\*
- Maximum upper limits have been laid down for giving of rebates.\*
- Zonal railways as also our customers prefer it to be that way.\*



# Functions of Rates Branch



- Rebates/Surcharges can either be across the board for all zonal railways, or
  - they could be for a particular zone.
- Rebates/Surcharges can be :
  - Either for all commodities or for a particular commodity.\*
  - They could be either of a permanent nature or could be for a specific period.\*
  - They could be either for certain distances or across all distance boundaries.
  - For certain streams of traffic.
- Fact remains that all rating activity is confined only to Railway Board.







# Functions of Rates Branch



- Classification of goods.
- Packing conditions of goods.
- Miscellaneous charges.
- Charges related to Port Trust.
- Transport of relief materials to affected areas.
- Chargeable weight for commodities.
- Train load benefit.
- Inflation in distance for charge.
- Distance for charge.
- Re-weighment charges.
- Clubbing of consignment.



# Functions of Rates Branch



- Conducting specific studies on commercial matters in line with reports of various committees such as
  - Railway Fare and Freight Committee and
  - Rail Tariff Enquiry Committee etc.
- Memorandum to the Board and Cabinet on proposals received from other Ministries for revision of rates in respect of specific commodities.
- Formulation of Budget Document – Proposals for adjustments in Freight Rates and Passenger Fares in the Railway Budget.\*



# Functions of Rates Branch



- Subject list of TC – I branch are as follows :
  - Free time and demurrage and wharfage rules.
  - Siding charges.
  - Railway Rates Tribunal Rules.
  - Agreements relating to Port Trust.
  - Commercial aspects regarding Indo – Pakistan, Indo – Bangladesh Indo – Nepal traffic.\*
  - Rules for payment of freight – Paid, To – Pay, Prepayment conditions etc.
  - Rules for delivery of goods.
  - Undercharges in freight.
  - Weighbridges.
  - Penalties for overloading of wagons etc.



# Functions of Rates Branch



- Wagon Registration Fees.
- E – Payment of freight.
- Working of goods sheds.
- Military traffic.
- Rules for carriage of dangerous goods.
- Notified stations.
- Licensing of railway land.



# Outline of the Lecture

- Indian Railway Act.
- Structure of Rates Branch.
- Functions of Rates Branch.
- **Traditional Freight Structure.**



# Traditional Freight Structure

- Country wide uniformity in tariff.
- Uniform telescoping for all commodities.
- No regional, directional, seasonal or segmental sensitivity.
- Tenuous linkage with input costs.
- Cross subsidization across various commodity groups.
- Unlimited subsidization of losses on Passenger services.
- Driven by imperatives of revenue generation.
- Adjustments in tariff arduous and time consuming.
- Averse to business decisions and steeped in straitjacket.
- Oblivious to market conditions and business opportunities.



# Traditional Freight Structure

- Ad hoc tariff adjustments with no comprehensive long term view.
- Unable to respond effectively and timely to customer demands.



# Traditional Freight Structure

- Reduce the spread between the lowest and highest rates.
- Introduce integrated tariff and incentive structure custom tailored for each major business stream – present and potential.
- Tariff should be based on input costs and leverage railway's strengths in long haul and bulk.
- Reduce cross subsidization amongst commodity groups.
- Eliminate tariff lines operating below cost.\*
- Move towards FAK rates as far as possible with only limited exceptions.





# Traditional Freight Structure

- Quantum of cross subsidization of passenger business from freight segment should be explicit and transparent.
- Comprehensive recasting of tariff for military, postal traffic etc.
- Long term goal for tariff structure rationalization should be spelt out.



# Traditional Freight Structure

- Institutionalization of mechanisms for seasonal, regional, directional and other variations.
- Introduce differential pricing in the bulk segment to drive revenue growth.
- Promote long term arrangements with corporate clients.
- Promote growth of business volumes through negotiated packages.
- Promote cargo aggregators and other new business streams as potentially high revenue segments.
- Enabling mechanisms for revenue maximization from idle assets and under utilized capacities with speedy offer of rates.



# Outline of the Lecture

- Indian Railway Act.
- Structure of Rates Branch.
- Functions of Rates Branch.
- Traditional Freight Structure.
- **Classification of Goods.**



# Classification of Goods

- All commodities have been classified into 16 different classes for the purpose of charging of freight.
- Lowest class whose freight is cheapest is LR – 4.
  - This is approximately equivalent to class rate of 60.
- Highest class whose freight is the maximum is 200X for export Iron Ore,
  - This is approximately equivalent to class rate of 450.
- All other commodities come somewhere in between.
- Over the years railways have gradually reduced the number of classes from 59 to 16.
- It has been attempted to fit all commodities into one of these existing classes only.\*



# Classification of Goods

- Along with reducing the number of classes, the total number of commodities which have been so classified have also been reduced.
- Over the years railways have reduced the total number of classified commodities from over 4000 to only 21 groups.
- An over – riding clause stipulates that if any commodity does not figure in the list of commodities which have been classified,
  - then it should be charged at the highest class rate.\*



# Classification of Goods



- Logic given was that railways are simplifying the freight structure and will be easier for customers to understand.\*
- This reduction in number of commodities has been incorrect.
- After all if 4000<sup>+</sup> number of commodities were being transported by railways earlier,
  - then even today more or less the same number of commodities are likely to be transported.
- There may have been some reduction in commodities due to block rake movement,\*
  - but such reduction would have been maybe 20% – 30% at the most.
- It cannot justify such drastic reduction.



# Classification of Goods

- As a result of number of classified commodities having been reduced,
  - there are large number of commodities which do not have any class at all.
- Present rules stipulate that all of them are to be charged at the highest class rate.
- As a result of the above some of these commodities have moved to road.
- Secondly, by reducing the number of classes from 59 to 16, the gap between freight rates of adjoining classes has substantially increased.
- Any change of class even by one step increases the freight rate substantially.



# Classification of Goods

- As of today the following classes exist :
- LR – 4                      Bamboos, Coffee, Tea, Coir, Cotton.
- LR – 3                      Charcoal, Paper.
- LR – 2                      Fireworks.
- LR – 1                      Jute, Organic manure, Timber.
- Class 100                    Leather, Rubber & Plastic, Edible oil.
- Class 110                    De – oiled cake, Sugar, Salt.
- Class 120                    Clay, Chemical manure, Food grain.
- Class 130                    Bricks, Steel Pipes, Wire rod coils.





# Classification of Goods

- Class 140 Cement, Coal & Coke Slag.
- Class 150 Molasses, Gypsum, Sand & Stones.
- Class 160 Minerals & Ore, Metal scrap, Pig Iron.
- Class 170 Bitumen, Iron Ore for domestic.
- Class 180 Alloys & Metals, Iron & Steel, LPG.
- Class 190 —
- Class 200 Acids, Alcohol, Petroleum products.
- Class 200X Iron Ore for export.



# Classification of Goods



- Chargeable carrying capacity was made uniform with effect from 1.4.2005, and
  - minimum weight condition was done away with.
- Consignments carried in any type of wagon will be charged as per the Prescribed Carrying Capacity (PCC) of that type of wagon.\*
- For example, earlier bamboo being a light commodity was charged for a minimum weight of 22T.
- As per the revised PCC, consignment of bamboo was charged for the full carrying capacity of the BCN wagon at 63T.
- This resulted in substantial amount of idle freight being paid for such light weight consignments.



# Classification of Goods

- In order to compensate for the idle freight and reduce the same to a large extent,
  - the classification of light weight commodities was reduced in number of cases,
  - in order to bring down the overall freight.



# Classification of Goods

- Previous/revised chargeable weight and class :

<u>Commodity</u>	<u>Previous</u>		<u>Revised</u>	
	MWC	Class	PCC	Class
Bamboo	22	145	63	LR – 4
Charcoal	34	130	63	LR – 3
Coir	12	190	63	LR – 4
Jute	30	160	63	LR – 1



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- Classification of Goods.
- **Freight rates for different classes.**



# Freight rates for different classes

- Railway Board publishes a freight rate table which gives
  - class wise freight rate,
  - per tonne,
  - for different distance slabs.
- It is a historical table and has been existing since times immemorial.\*
- Over the years it has undergone only minor cosmetic changes,
  - without any major changes having been attempted.
- There is a taper with increasing distance,
  - which is the same for all commodities in that class.



# Freight rates for different classes

## Freight/tonne for different classes and distance slabs

Distance/Class	100	120	140	160	180
201 – 210	147	176	205	235	264
301 – 310	202	243	283	324	364
401 – 410	258	309	361	412	464
801 – 825	494	593	692	790	889
1201 – 1225	719	863	1007	1151	1295
1501 – 1525	887	1064	1241	1419	1596
1801 – 1825	1033	1240	1446	1653	1859



# Freight rates for different classes

- Rates for different classes are modified based on
  - whether the rate is to be increased or decreased.
- The marginal adjustments are done depending on
  - whether same has been increased or reduced in the last couple of years, and
  - our perception of what the traffic can bear.
- No exercise has been done of making an ab-initio analysis of the cost of operation and for fixing of rates accordingly.\*
- In most cases it is not only difficult but impossible.\*
- Cost of hauling a foodgrain rake and a cement rake is the same,
  - but they cannot be charged equally.\*





# Freight rates for different classes

- There are two ways of changing the freight rate of any commodity.
- In case freight rate of a particular commodity is to be increased, then the same can be done
  - either by increasing the freight rate for that class,
    - in which case freight rate of all commodities in that class will be uniformly increased; or
  - alternatively, the classification of that particular commodity can be increased,
  - so that the change does not effect any other commodity.



# Freight rates for different classes

- This is the main drawback of reduced number of classes.
- Logic given was that railways are simplifying the freight structure and it is easier for customers to understand.\*
- No customer deals in fifteen different commodities.
- Neither do they deal over varying distances.
- Most of them deal with select few commodities and they are aware of the classification of their own commodities.
- Similarly, their traffic does not go all over the country to hundreds of destinations.
  - there are select few destinations to which their consignment is despatched, and
  - all customers know the freight rates to those destinations.



# Freight rates for different classes

- Another reason given was that by simplifying the freight structure it will be easier for field staff to understand.\*
- When a customer comes to book his consignment the CGS first checks up Goods Tariff, Part I (Vol. II), which is the book of classification in order to
  - verify the class of that commodity;
  - let us say the commodity class is 140.
- Thereafter the CGS will calculate the distance from the originating to the destination station,
  - using the through distance and
  - the junction distance tables.
- Let us say the distance comes to 763 kms.



# Freight rates for different classes

- CGS will lastly open the freight rate table and check up the freight rate per tonne for class rate 140 at the distance slab of 760 – 770 kms. distance.\*
- The freight rate at Class 140 for distance of 763 Kms. comes to Rs. 648.10/tonne.
- Having obtained the freight rate/tonne he finally multiplies the freight rate/tonne with the total load of the rake to arrive at the total freight.
- Let us say the total weight of the consignment comes to 2450 tonnes.
- So the total freight is worked out as
  - $\text{Rs. } 648.10 \times 2450 = \text{Rs. } 15,87,845/-$
- This is the complete cycle.



# Freight rates for different classes

- In this entire cycle the following activities are common irrespective of whatever may be the class of the commodity;
  - Goods Tariff, Part I (Vol. II).
  - Through Distance table, and
  - Junction distance table.
  - Freight rate table.\*
- Even in this he has to finally consult a table,
  - Whether there are 15 columns in that table or 30 columns is immaterial.
- The CGS has to see one column and one row in that table.



# Freight rates for different classes

- As far as the CGS is concerned his workload remains the same.
- With FOIS things have now become much easier.
- No CGS deals in fifteen different commodities.\*
- Most of them deal with select few commodities and they are aware of the classification of their own commodities.
- Neither do they deal over varying distances.
- Traffic booked from specific goods shed does not go all over the country to hundreds of destinations.
  - there are select few destinations to which consignment from each goods shed is despatched.
- All CGSs know the freight rates to those destinations.\*



# Freight rates for different classes

- By reducing the total number of different commodities, which have been classified, from 4000<sup>+</sup> to 21 groups, and
  - by reducing the overall number of classes from 59 to 16;
- Railways have made it practically impossible to change the freight of an individual commodity without changing its classification.
- Perhaps the officials who undertook that exercise did not realize the implications of their action.
- Wanted to gain easy kudos.\*



# Freight rates for different classes

- Comparison with the Wholesale Price Index (WPI) which measures the annual inflation gives a good idea of the change in freight rate vis-à-vis the WPI.
- Data has been collected for displaying changes in freight rate of 7 important commodities over last 15 years.
- The commodities selected are :
  - Food Grain.
  - Fertilizer.
  - Coal.
  - HSD.
  - Cement.
  - Iron & Steel.
  - Other Goods, which is basically a mixed basket.



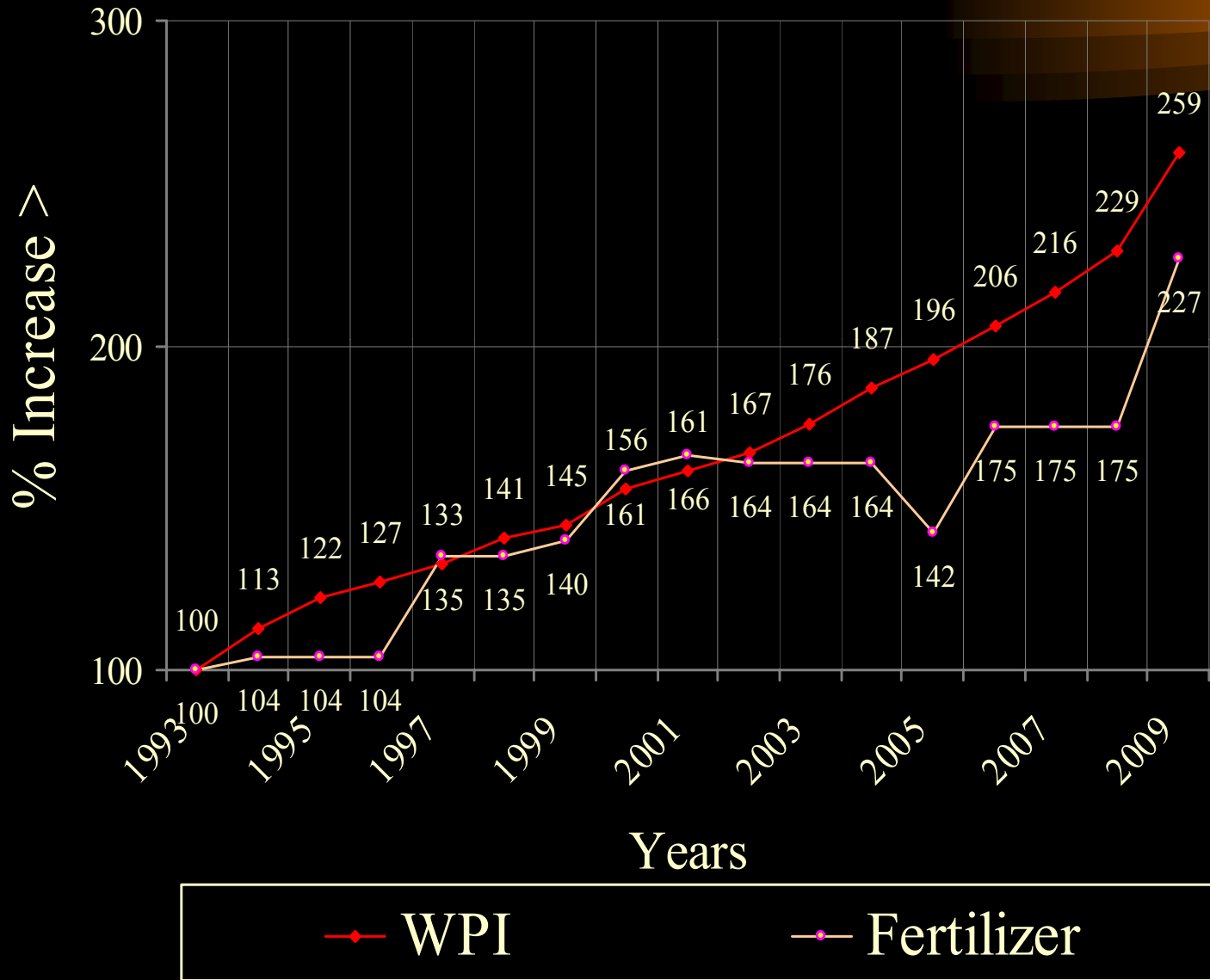


# Increase in Foodgrain freight (1177 kms)



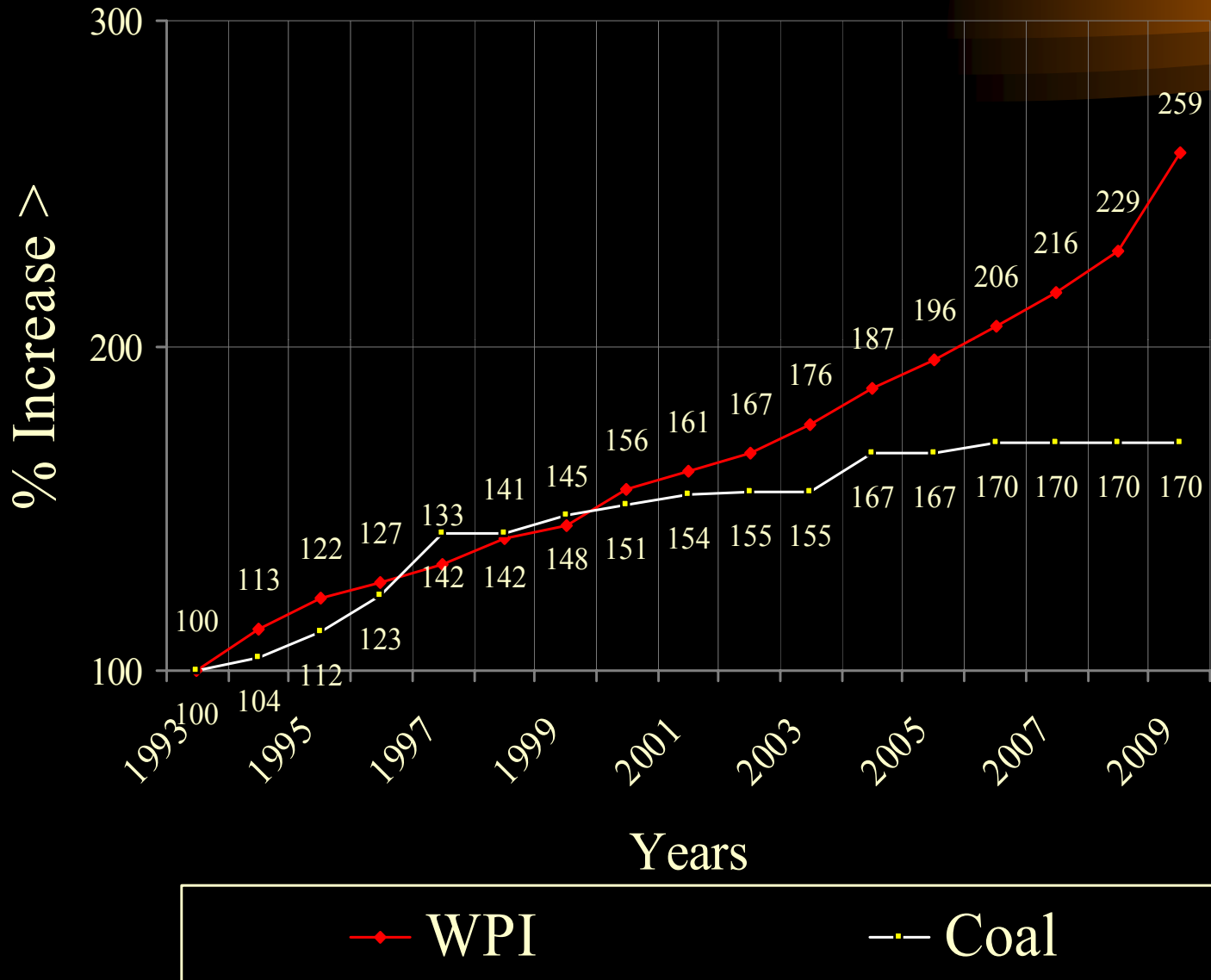


# Increase in Fertilizer freight (825 kms)



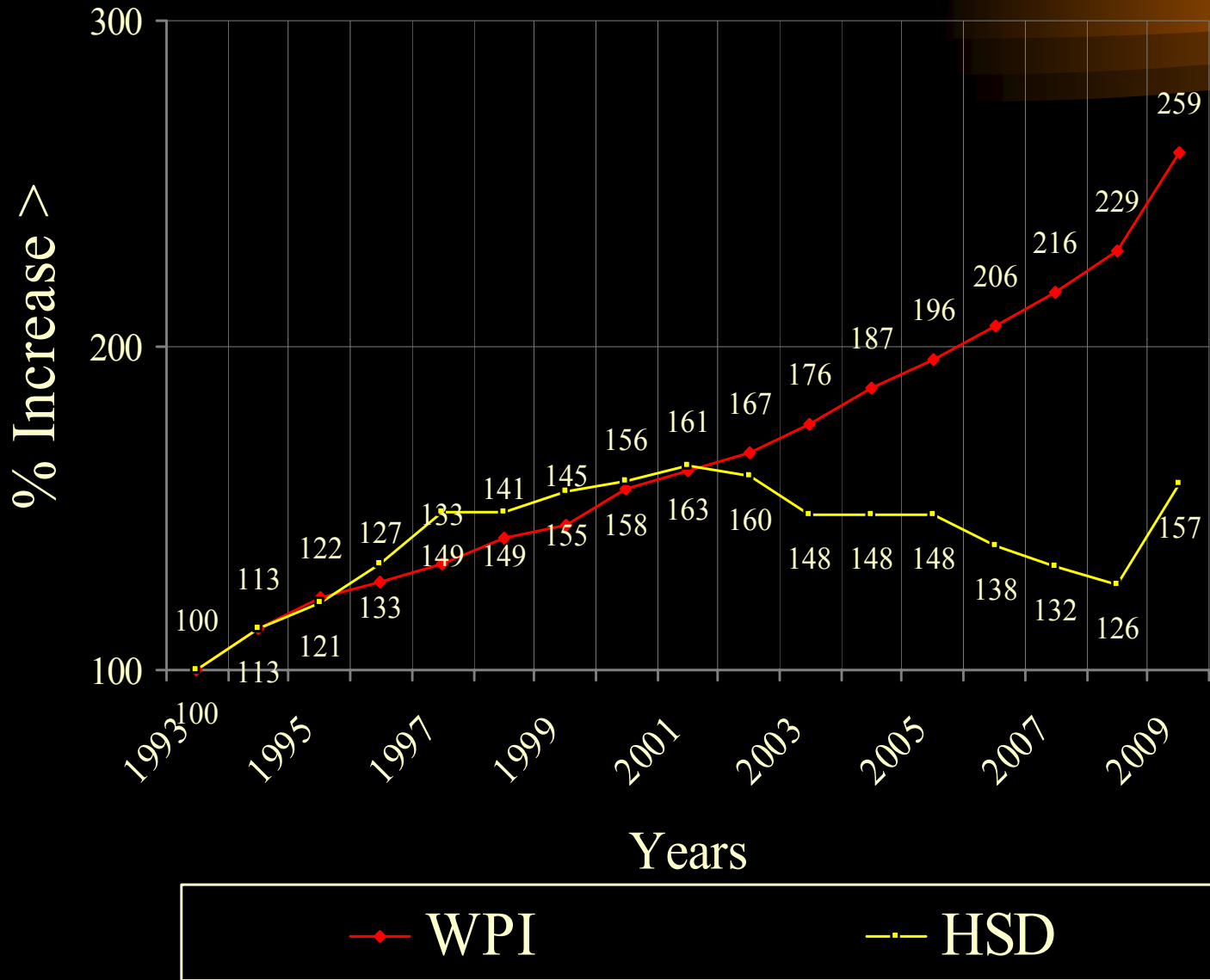


# Increase in Coal freight (611 kms)



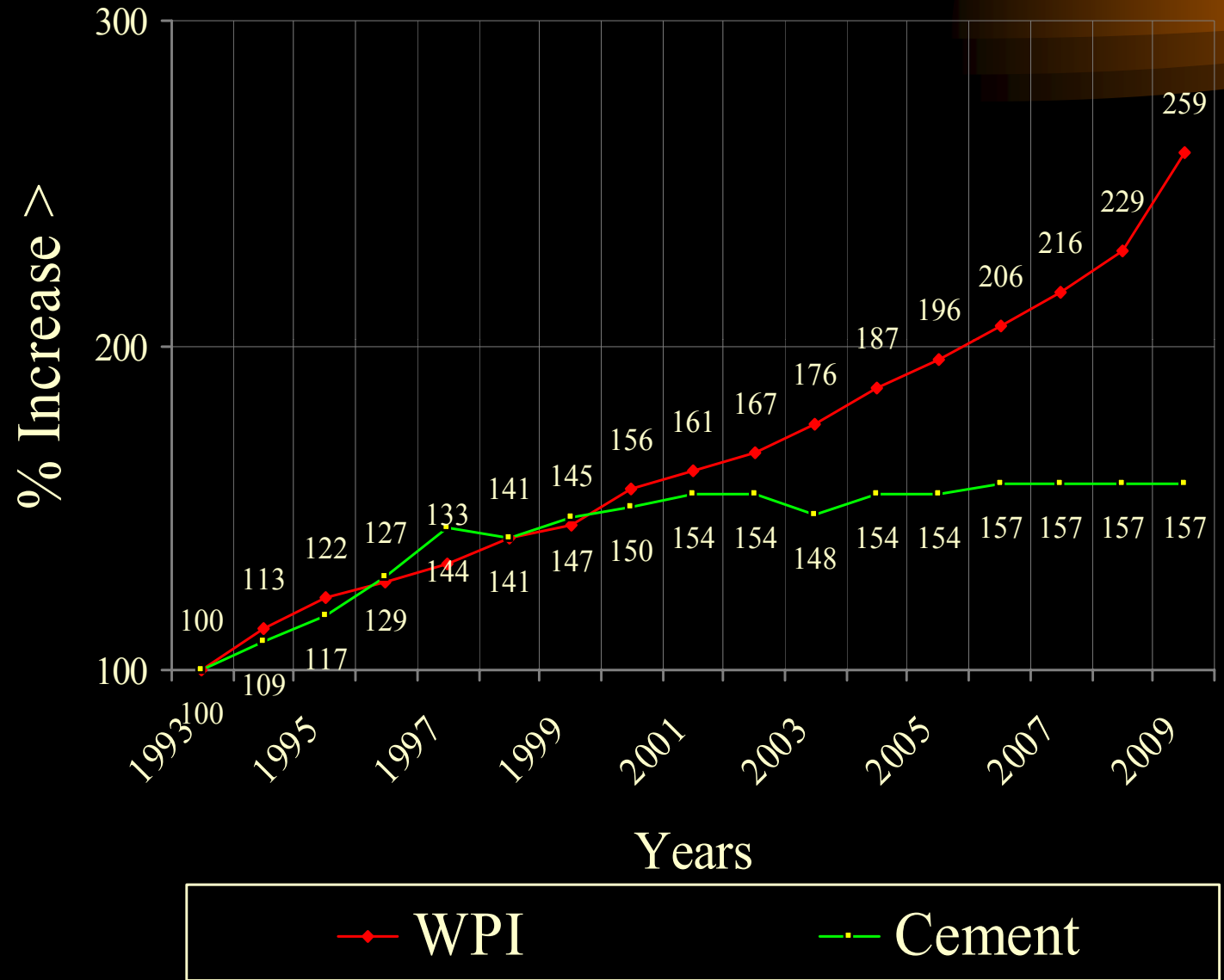


# Increase in HSD Freight (640 kms)



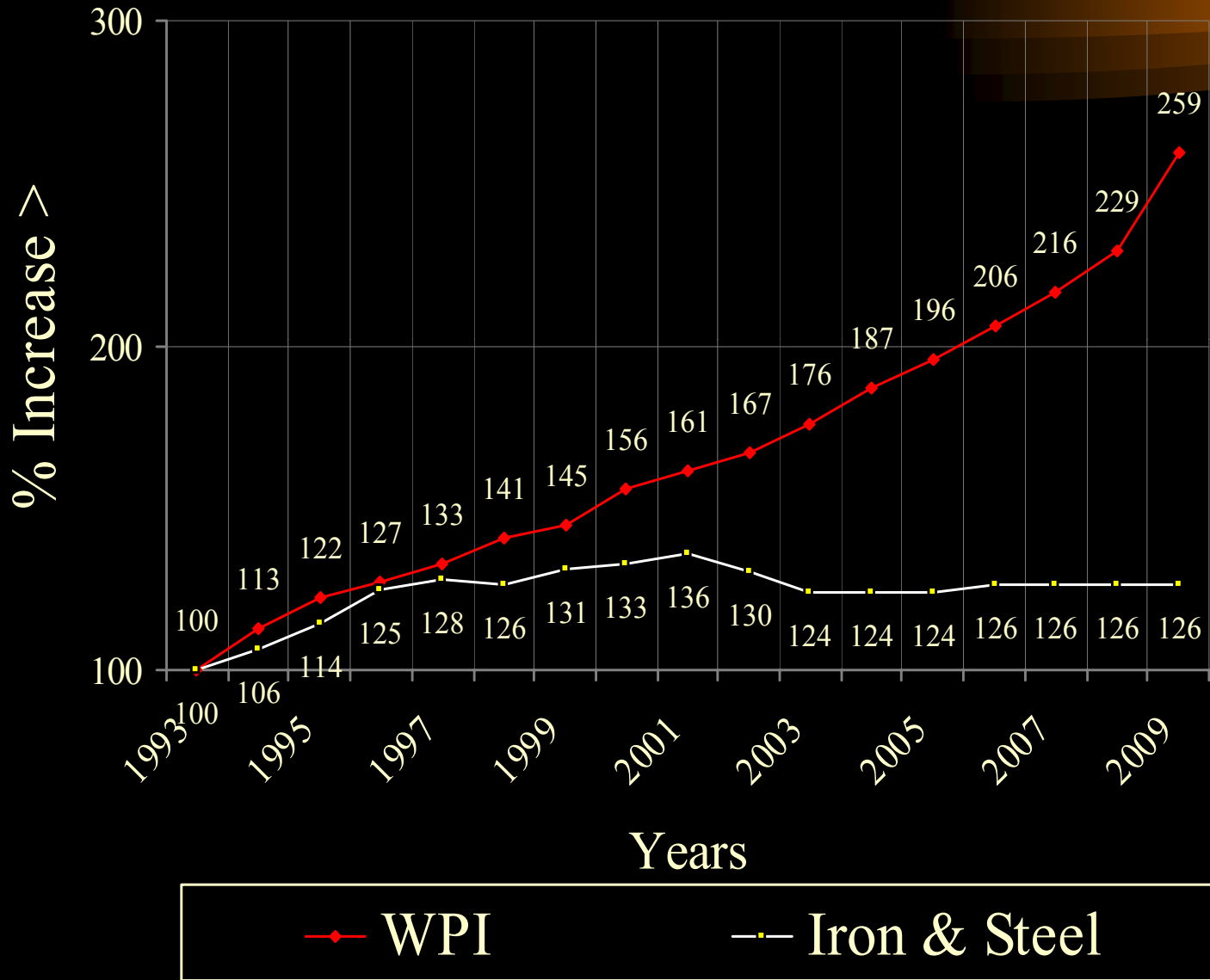


# Increase in Cement freight (561 kms)



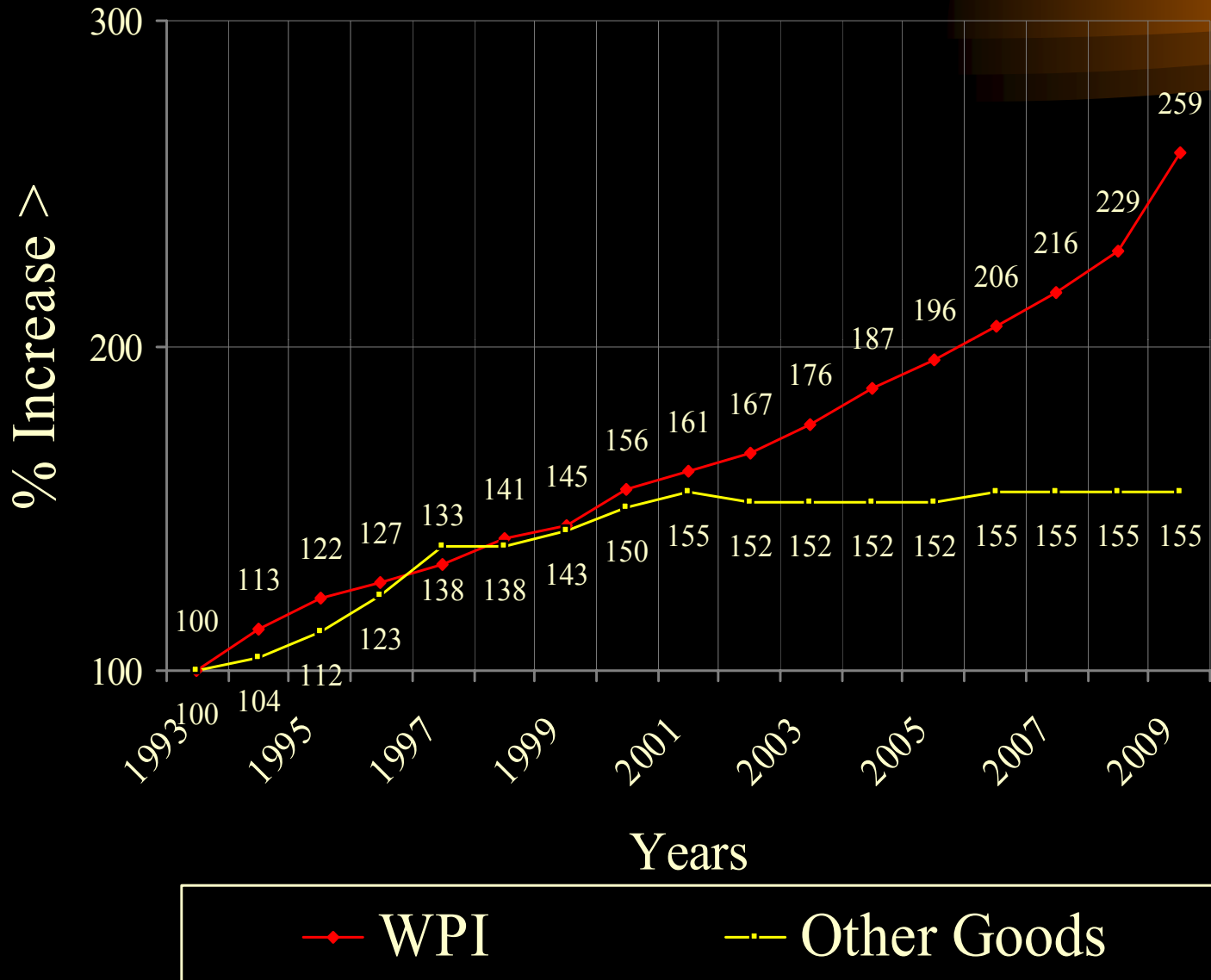


# Increase in I&S Freight (1006 kms)





# Increase in Other Goods (830 kms)





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- Indian Railway Act.
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- Classification of Goods.
- Freight rates for different classes.
- **Passenger fares for different classes.**





# Passenger Fares for different classes

- Passenger fares are decided more or less on the basis of political compulsions rather than for administrative reasons.
- While some of the upper class services are priced on the higher side,
  - our sleeper class fares, and
  - general second class fares are under priced.
- IR's Monthly Season Tickets (MSTs) and Quarterly Season Tickets (QSTs) for suburban services are probably the cheapest in the world.



# Passenger Fares for different classes

- In case of most commuters using IR's suburban services, the cost of their MSTs/QSTs are being reimbursed by the organizations where they work.\*
- Today a passenger spends more in traveling by Auto from a suburb of Delhi to the New Delhi railway station,
  - than what he spends on his sleeper class ticket from New Delhi to Lucknow.
  - Despite knowing all this we are not willing to increase passenger fares.
- While some marginal increases have taken place by way of reservation charges, Tatkal Seva etc.,
  - across the board revision of fares has not taken place for quite some time.



# Passenger Fares for different classes

- Suffers from absence of co–relation between tariff and input cost.
- Upper Classes rendered uncompetitive by repeated price hikes in the past.\*
- Inadequate appreciation of what ‘customer can pay’.\*
- No formalized mechanism to identify customer needs and perceptions.\*
- Consequent unfettered expenditure on ‘passenger amenities’ with loosely defined standards.
- Losses on passenger services are not transparent.\*
- Suburban services and MSTs highly subsidized.



# Passenger Fares for different classes

- Spread between the highest and the lowest fares needs to be reduced.
- Suburban fares should be indexed to input costs.
- MST fares should be increased from 15 journeys to 25 in steps of 2 journeys per year.
- Second Class Mail/Express fares to be increased @ 5% per year to eliminate losses.
- No subsidy to Second Class Ordinary Fare.
- Suburban subsidy to be limited to MSTs only by way of percentage discount of fare derived from Second Class Ordinary fares.
- Variable pricing to be introduced for revenue generation from popular trains.\*



# Passenger Fares for different classes

- Non suburban business must be self sustaining.
- Fares for Second Class Ordinary and Sleeper Class need to be indexed to input costs to eliminate losses.
- Suburban business may continue to need partial and controlled subsidization.
- Subsidy to suburban business must be capped in financial terms for transparency.
- Suburban fares should be indexed to fuel costs.\*
- Products and prices need to focus sharply on the target segment.

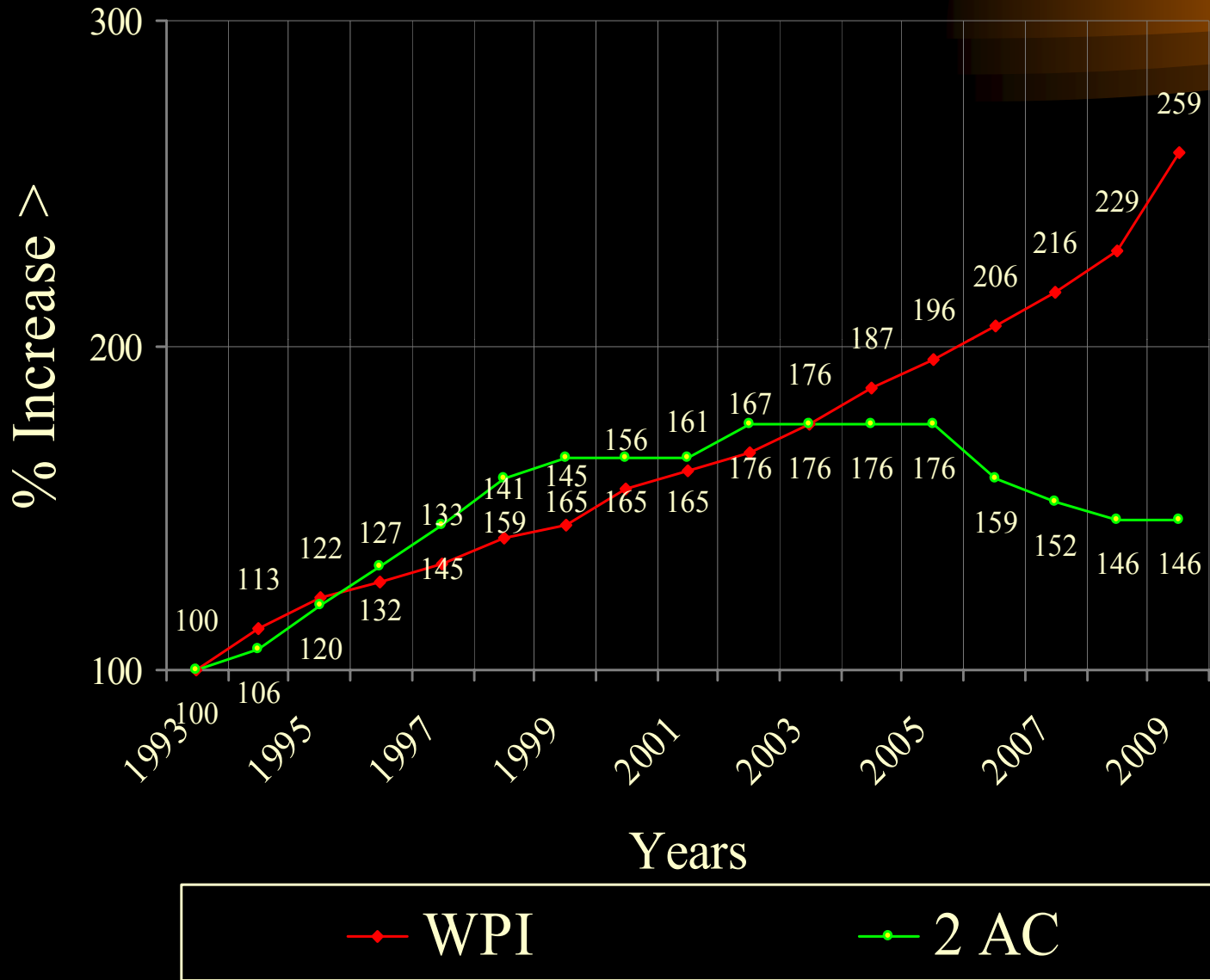


# Increase in I AC fares (893 kms)





# Increase in 2 AC fares (781 kms)





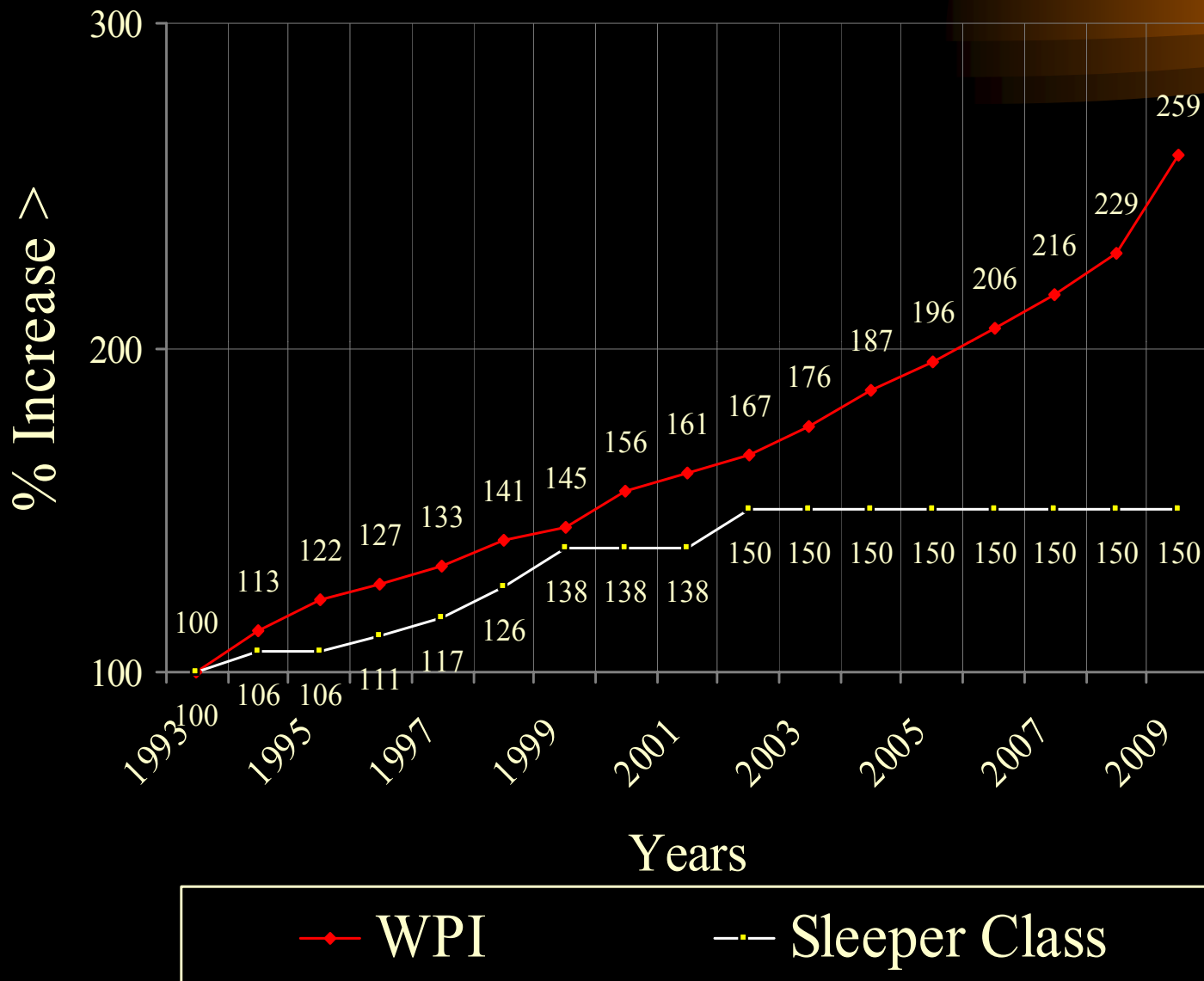
# Increase in 3 AC fares (858 kms)







# Increase in Sleeper class fares (751 kms)





# Increase in Second class fares (349 kms)





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- Freight rates for different classes.
- Passenger fares for different classes.
- **Formation of Budget proposals.**



# Formation of Budget Proposals

- Only schemes which are announced in the budget are worked out much in advance, and
  - in a scientific manner.
- Most of them are worked out depending on
  - suggestions received from zonal railways,
  - suggestions given by major customers during customer meets,
  - letters received from industry wise associations such as Cement Manufacturers Association etc.
- Many of the rebates and discounts that are announced across the board are also worked out in advance.



# Formation of Budget Proposals



- Regarding increase in freight rates, in the budget,
  - these are worked out on a need basis,\*
  - depending on the quantum of revenue required to be generated.\*
- All types of data are available on the computer with the Statistics Directorate.
- Excel provides an excellent tool for analyzing,
  - how much revenue will be generated,
  - by increasing the freight rate of which class, or
  - for which particular commodity.
- Amongst the various alternatives thrown up the one which is likely to have least political impact is selected.\*
- Once the target is met the exercise is ended.\*



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- Formation of Budget proposals.
- **Private Container Operators.**



# Private Container Operators

- In 2006 licenses were granted to 14 Private Container Operators (PCOs) for running their own trains,
  - by paying hauling charge to railways.
- In 2007 another 2 operators took new licenses.
- Idea was that they would contribute towards cargo aggregation, and
  - bring back part of the piece – meal traffic that was lost as a result of block rake movement.
- PCOs are prohibited from carrying certain restricted commodities,
  - such as coal,
  - all types of ores and minerals,
  - petroleum products, etc.



# Private Container Operators

- Haulage charge is worked out based on a spread sheet calculation.
- The following are included in the calculation of the haulage cost.
  - Basic data.
  - Documentation etc.
  - Line haul cost.
  - Provision and maintenance cost.
  - Total Direct Cost.
  - Fully Distributed Cost.
  - 10% for loss of path to other trains.
  - Profit margin 20%.





# Private Container Operators



- Basic data :
  - Type of wagon.
  - Life of wagon.
  - Number of wagons.
  - Capital cost of rake in lakhs.
  - Pay load.
  - Tare weight.
  - Lead.
  - Wagon turn round.
  - Empty return ratio.
  - NTKM.
  - GTKM.
  - No. of terminals.



# Private Container Operators

- No. of marshalings.
- Train Kms.
- No. of TEU.



# Private Container Operators

- Documentation Cost :
  - 12 invoices per rake.
  - Terminal cost.
  - Marshaling cost per wagon per yard.
- Line Haul Cost :
  - Cost of traction per 1000 GTKM.
  - Cost of other transportation per Train Km.\*
  - Cost of Signaling per Train Km.
  - Cost of Track per Train Km.
  - Total Line Haul Cost.



# Private Container Operators

- Provision and Maintenance Cost :
  - Cost of repair and maintenance.
  - Interest on capital cost of wagon.
  - Depreciation element.
  - Total Provision and Maintenance Cost.
- Total Direct Cost (sum of all of above)
  - General overheads.\*
  - Central charges.\*
  - Escalation for 2008 – 09 over 2005 – 06.
  - Fully Distributed Cost (FDC).
- Reduced FDC for Special Wagons.



# Private Container Operators

- Add 10% loss of path to trains.
- Profit Margin of 20%.
- Rate per Train Km.
- Maintenance charge at 5%.
- Rate per TEU per Km with maintenance.
- Reduced FDC per TEU.



# Private Container Operators

- As per IR's agreement with PCOs,
  - They were required to develop their own terminals within 3 years.
  - Have been permitted use of Railway Goods Sheds temporarily.
  - Group III – Handling < 7 rakes per month.
  - Group II – Handling < 12 rakes per month.
  - Group I – Handling > 12 rakes per month.
- Terminal Access Charge of Rs. 34,000/- per terminal per loading/unloading of each rake.
- Being extended on a year to year basis.\*
- Problems of stabling.\*



# Outline of the Lecture

- Indian Railway Act.
- Structure of Rates Branch.
- Functions of Rates Branch.
- Traditional Freight Structure.
- Classification of Goods.
- Freight rates for different classes.
- Passenger fares for different classes.
- Formation of Budget proposals.
- Private Container Operators.
- **Railway Rates Tribunal.**



# Railway Rates Tribunal

- Ministry of Railways (MOR) has consistently maintained that no external regulatory authority is required for deciding freight structure on IR.
- A paper on the subject has been submitted by MOR to Planning Commission on which final decision yet to be taken.
- Budget Branch is understood to have prepared a proposal for setting up a Bureau of Railways Costs and Pricing under FC.





# Railway Rates Tribunal

- All activities related to costing, market research and pricing sensitivity etc. are envisaged to be assigned to BOCP,
  - which in turn will issue pricing directives to commercial branch.
- If a reliable costing system is in place, and
  - pricing policy adheres to clearly set norms in respect of margins,
  - then no regulatory mechanism seems called for.\*



# Railway Rates Tribunal

- Railway Act 1989.
- Chapter VII deals with Railway Rates Tribunal.
- Section 33. (1)
- There shall be a Tribunal to be called the Railway Rates Tribunal (RRT), for the purpose of discharging the functions specified in this chapter.
- Section 33. (2)
  - The Tribunal shall consist of a Chairman and two other members to be appointed by the Central Government.
  - Other sub-sections (3) to (8) of Section 33 lay down the terms and conditions of appointment and the powers of members of RRT.



# Railway Rates Tribunal

- Section 35.
  - The Tribunal may sit at such place as it may find convenient for transaction of its business.\*
- Section 36.
  - Any complaint that a railway administration –
    - (a) is contravening the provisions of Section 70\*; or
    - (b) is charging for the carriage of any commodity between two stations a rate which is unreasonable\*, or
    - (c) is levying any other charge which is unreasonable,
  - may be made to the Tribunal.



# Railway Rates Tribunal

- Section 37.
  - Nothing in this Chapter shall confer jurisdiction on the Tribunal in respect of –
    - (a) classification or re–classification of any commodity.
    - (b) fixation of wharfage or demurrage charges (including conditions attached to such charges),
    - (c) fixation of fares levied for the carriage of passengers and freight levied for the carriage of luggage, parcels, railway material and military traffic; and
    - (d) fixation of lump sum rates.



# Railway Rates Tribunal

- Section 38.
  - (1) The Tribunal shall have the powers of a civil court under the Code of Civil Procedure, for the purposes of
    - taking evidence on oath,
    - enforcing the attendance of witnesses,
    - compelling the discovery and production of documents,
    - issuing commissions for the examination of witnesses and
    - of review.



# Railway Rates Tribunal



- Section 41.
- In the case of any complaint under clause (a) of section 36,
  - whenever it is shown that a railway administration charges one trader or class of traders, or
  - the traders in any local area,
  - lower rates for the same or similar goods, or
  - lower charges for the same or similar services than it charges to other traders in any other local area,
- the burden of providing that such lower rate or charge does not amount to an undue preference, shall lie on the railway administration.



# Railway Rates Tribunal



- In deciding whether a lower rate or charge does not amount to an undue preference,
  - the Tribunal may, in addition to any other considerations affecting the case,
  - take into consideration whether such lower rate or charge is necessary in the interests of public.



# Railway Rates Tribunal

- Section 44.
  - In the case of any complaint made, the Tribunal may –
  - fix such rate or charge as it considers reasonable from any date as it may deem proper,
  - not being a date earlier to the date of the filing of the complaint;
  - direct a refund of amount, if any, as being the excess of the rate or charge fixed by the Tribunal under clause (i).





# Outline of the Lecture

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# Thank You

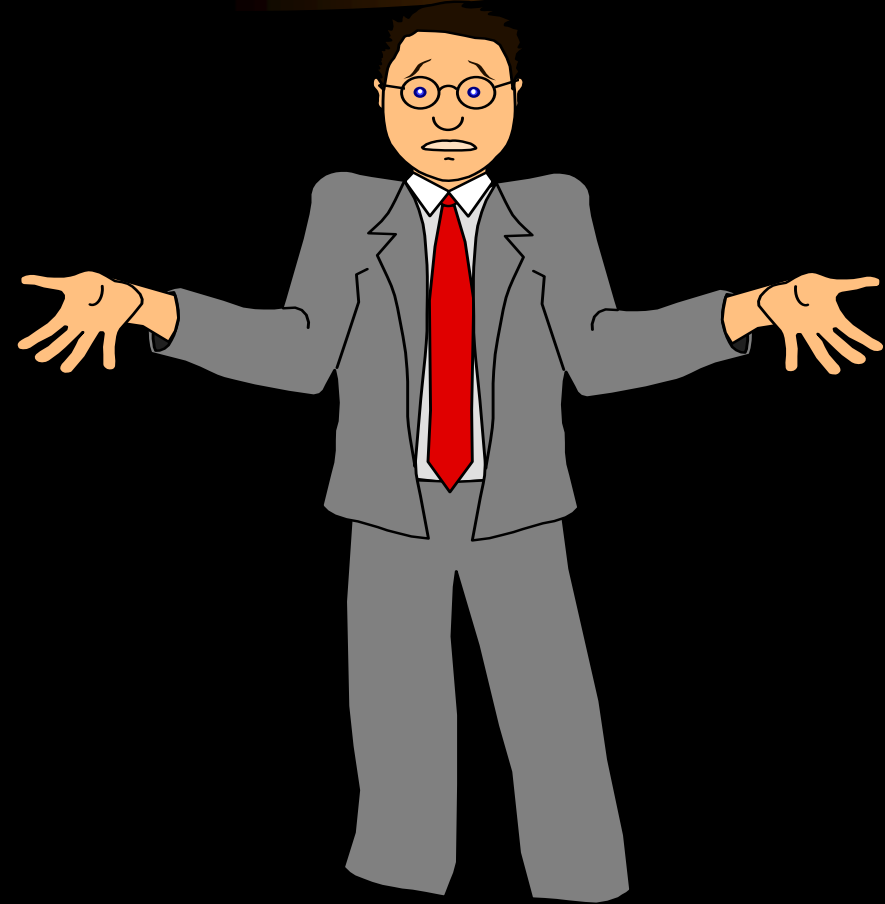




# Rating of freight on IR



*Any  
questions  
please ?*





**RATING**  
*OF*  
**FREIGHT BUSINESS**  
*ON*  
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