Automobile Freight Train Operator Scheme

Objective

- With a view to increase IR's market share in transportation of automobiles i.e. two/ three-wheelers, cars and tractors etc. by inviting private participation for procurement and operation of special purpose wagons, a new scheme namely Automobile Freight Train Operator Scheme (AFTO) was launched. The policy to this effect was issued on 19.07.2010. Keeping the concerns of investors in mind the policy has been modified in Feb. 2013.

Feed back from Maruti Suzuki

AFTO

- The days when Railway was a monopoly have gone. A policy will be accepted and implemented when it benefits both the Railways as well as the investors.
- The special trains schemes underline the basic policy decision of the Railways that Railways will no longer invest in special type of stock to run over its network.
- Therefore inputs from the concerned investors are essential in terms of recognizing markets, routes and rates as they would be financing the special rakes and have stake in running of these trains.

AFTO

- This policy provides an opportunity to logistics service providers, Road Transporters or manufacturers to invest in wagons and use advantages of rail transport to tie up with the end users and market the train services owned by them for rail transportation of automobiles to create a win-win situation for railways and themselves

AFTO

Salient features of the Policy

- One time upfront registration fee of 5 crores and minimum investment for 3 rakes by the Operator
- Period of concession for 20 years, extendable till expiry of codal life of wagon.
- Freight rates have been fixed separately
- However, Train operator will be free to charge tariff from end user.
- Maintenance of wagons by railways except special components, cost of which will be defrayed by investor.

AFTO

Key Drawers for Rail Connectivity:

- Shortage of Highway infrastructure across India
- Inter-state border bureaucracy and taxation causing delays and inefficiencies for Trucks
- Regulation of Truck dimensions by Govt
- GST likely in 2016
- Growth of Automotive Production
- Blue Sky or Green Transport

AFTO

New Order of rail transport different from old one

NEW	OLD
27 wagons to a rake with total of 318 cars	Only 10 rakes exist: 7 NMG, 2 BCACM & 1 BCCNR
New high capacity wagons	NMG has 25 wagons to a rake with 125 cars
Availability is more predictable since pvt wagon are moved on circuits desired by wagon owners	Availability uncertain ; guided by an all India indent system
OEMs can plan a bulk of despatches around these wagons	Difficult to plan despatches with unpredictable supply
Scalable in terms of numbers of rakes deployed	Scalability dependent on railway investment in rolling stock. Now planned to be phased out

AFTO

Agreement of AFTO

- Agreement should not be one sided
- Should take care of the concerns of both the parties
- Should be legally sound
- The AFTO Agreement to be signed by CCM/FM of the nominated Railway, on behalf of the President of India and the authorized signatory of the AFTO.
- At present there are two AFTO's on IR – Maruti Suzuki and APL Vasscor. Agreements signed by NR and SR respectively.

AFTO

The Agreement has the following Chapters:

- Definitions and Interpretation
- 2. Representations and Warranties of the Parties
- 3. Scope of Agreement
- 4. Rail Access and Terminals
- 5. Wagons
- 6. Supply of Locomotive
- 7. Rail Transit Operations
- 8. Obligations of the AFTO
- 9. Obligations of Railway Administration
- 10. Freight Payable

AFTO

- 11. Documentation
- 12. Assignment and Transfer
- 13. Railway Administration's Liability and Settlement of Claims
- 14. Change in Rail Technology and Network
- 15. Force Majeure
- 16. Indemnity
- 17. Termination
- 18. Dispute Resolution
- 19. Miscellaneous

AFTO

EXPERIENCE OF APL VASCOR

Expanded to 4 rakes by Oct 2015

- Plan to add 1 more rake by Dec 15
- Operate between 3 terminals – Delhi, Chennai, Guwahati

ISSUES

- 1. TRANSIT TIME
- For OEMs to use the rail service , the transit time has to be less than road transits
- A door to door rail movement is broken into five parts :
- First mile road transport from factory to rail terminal : takes 1-2 days
- Terminal dwell (waiting for accumulation) : takes 1 day
- Rail Transit : takes 4.5-5 days (Chennai – Delhi)
- Terminal dwell at destination terminal (waiting for despatch) : takes 1 day
- Last mile to dealers by road : 1 day at least , depending on destination
- TOTAL : 8.5-10.5 days
- Road transit : less than 8 days

AFTO

2. COMMERCIAL VIABILITY

- Cost of transporting by rail exceeds what the OEMs pay truckers for road transits
- Situation has worsened in the past year because of decreasing diesel prices which have pulled down truck rates and hence rail rates
- Rail doesn’t adjust freight with change in fuel prices

3. TERMINALS

- Can operate from either rail terminal or PFT
- Very few PFTs , especially in areas where cars are manufactured or sold
- Distances from factories or consumption destinations is large

AFTO

Experience of Maruti Suzuki

Improvement in BCACBM rake operations

- Reduction in Turnaround time to 15 days from 18 days (Gurgaon – Bangalore)

- Reduction in Maintenance Time to 1.8 days from 3 days

- 35 % increase in car dispatches by Rail mode (around 58,000 in 8 months against 65,000 in FY 14-15)

AFTO

Reinforcements in BCACBM rake structure

- Modifications carried out for enhancing ease of operations and safety
- Side walls : Additional support members
- Underframe : Increased clearances for free wheel movement
- Roof : Increase in carlines
- Door : Additional supporting member for better alignment
- GPS for online tracking : Specifications approved and permission granted by RDSO

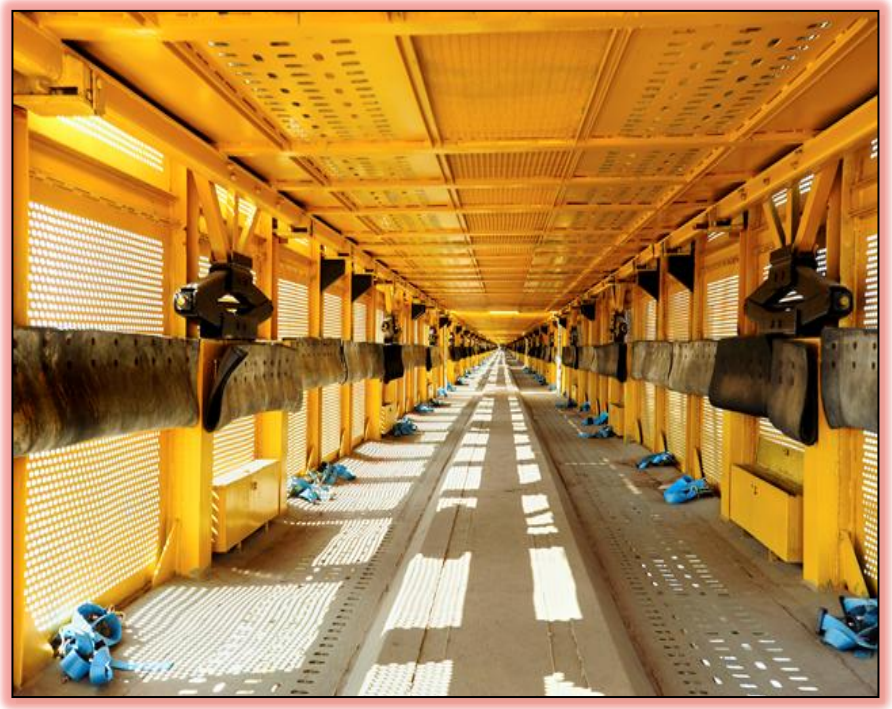
AFTO

Productivity Improvement

- Issuance of Time table for both Nidvanda and Mundra route
- Division level analysis of speed w.r.t published timetables
- System of Periodic feedback deliberation to IR on performance
- Duration between POH increased from 6000 km to 7500 km; increase in productive time for rakes

AFTO

AFTO



AFTO