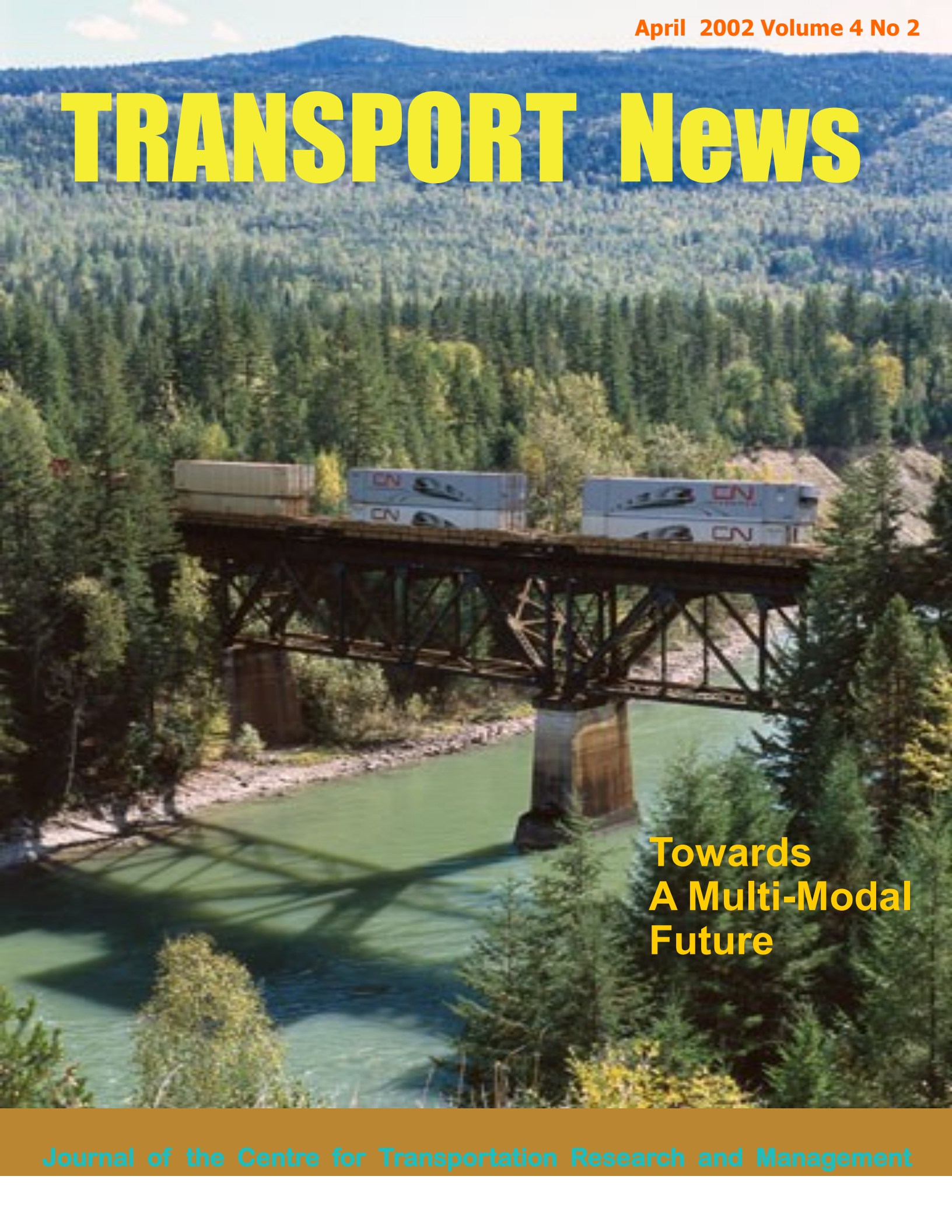


TRANSPORT News



**Towards
A Multi-Modal
Future**

Quarterly Journal of the Centre for Transportation Research and Management

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CONTENTS

1	Editorial	3
2	Multimodal Transport -UNCTAD Standing Committee on Developing Services Sectors, 1995	4
3	Private Freight Terminals - Need for a Pragmatic Approach -M.N. Srinivasan	10
4	An Imperative for Indian Railways - Business Re-engineering -Govind Ballabh	18
5	Regulation Policy in Land Passenger Transportation in Europe - Tables and figures - Dr John Preston	22
6	Discussion Feature - Road and Rail : Don't Duplicate Infrastructure -Sanjay Misra	26

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*E*ditorial

During World War II, the military experimented with a new, faster way to ship cargo: containerization. Previously, cargo had been loaded in bulk—a crate here and sack there, a piece of machinery in the corner—which required the goods to be packed and repacked at every stop along a trip. With the advent of containerization, cargo could be packed into a giant box at one end, shipped on rail, truck and ship, and unpacked upon arrival. The time saved was incredible. Before containerization, it could take weeks to unload a ship. Today, a ship three times as big can be fully unloaded in a couple of days.

While containerization helped the Allies win the war, it didn't catch on commercially until the '60s—APL's fleet wasn't fully containerized until the mid-'70s. Since then, the emphasis has been on building bigger and bigger ships. In 1988, APL built the first vessel that was too large for the Panama Canal. Today, the biggest ships can hold 6,600 containers and are so big that you could take New York's Empire State building apart and reassemble it inside the ship.

The freight transportation industry has undergone a revolutionary change during the last decade. As deregulation spreads to all modes of transport, the number of surviving companies will decline. Carriers unprotected by regulation will discover that they cannot differentiate themselves from the competition on price alone. Successful transportation companies must provide prompt pickup, excellent customer service, and swift, complete and damage-free delivery.

Customers' needs have also changed. The growth of Just-in-Time and Quick Response inventory management and third-party logistics requires all participants in the logistics chain to consider shorter cycle time a competitive advantage. Manufacturers, distributors, and some carriers effectively use information technology to reduce cycle times and improve the quality of freight handling. Package handlers use the technology to great competitive advantage.

Less-Than Truck-Load carriers are beginning to adapt their information systems to provide on-line, real-time data on the movement of freight through their systems. To successfully use information technology to speed the movement of freight, these carriers must have low-cost methods to accurately gather and disseminate data. Bar code and radio frequency technologies provide the tools for LTL carriers to survive and thrive.

“Shorter cycle times mean better service” and “Information is as important as cargo” are the mantras increasingly being drilled into business processes of all logistics service providers. It is common nowadays to see mere transporters labeling themselves as logistics companies, but mere labels do not help. Until a multi-modal mind-set is firmly established in the transport sectors, Indian industry and its customers shall remain bereft of logistics support.

The ball is in the court of big players like Indian Railways, to show the way.

MULTIMODAL TRANSPORT

UNCTAD Standing Committee on Developing Services Sectors:
Fostering Competitive Services Sectors in Developing Countries: [Shipping]
[Multimodal Transport],
3rd session (6-12 June 1995)

This document was prepared as an aid to delegates to summarize what multimodal transport is, what is the role of UNCTAD is in this field, and what have been its achievements. It also makes some reference to coming challenges and what can possibly be done to face such challenges.

What is multimodal transport?

The concept of international multimodal transport covers the door-to-door movement of goods under the responsibility of a single transport operator. Although the concept might not be new, it developed with the container revolution initiated in the late 50's by Malcom McLean and his trucking operations.

The emergence of the container technology and of the multimodal transport concept came from and facilitated growing international trade. Trade and transport are inextricably linked: efficient transport services are a prerequisite to successful trading. International transport generally implies the use of various transport links (interfaces and modes), each link corresponding to a transfer, storage or transport operation either in the country of origin, in a transit country, or in the country of final destination.

This situation has created a number of problems over the years, as more and more shippers are realizing that this new concept is involving the effective participation of various transport mode operators but does not always make clear who is responsible for delivering cargo at destination in safe conditions, according to agreed schedules.

Considering the variety of cultures, languages and commercial practices at both ends of a trade, and the resulting complexity of assembling such an international transport operation, it would appear reasonable to a trader to let one qualified operator organize and be responsible and accountable for the entire transport chain.

Beginning from the present unimodal transport conditions and legal environment, transport operators have developed transport systems to fulfil customers' requirements, offering competitive services and thereby making trade more efficient by offering multimodal transport services to their clients. Since the introduction of containerization and the later development of EDI, international trade has increasingly demanded efficient commercial transactions. To take advantage of the potential offered by the new technologies, the international trading community updated its uniform commercial practices regarding trading terms, letters of credit, and multimodal transport documents.

Multimodal transport implies the safe and efficient movement of goods, where the MTO accepts the corresponding responsibility from door-to-door. With technological development of transport means and operations, as well as in communications, coupled with liberalization in the provision of services, more and more transport operators are able to provide such safe and efficient transport. These services are increasingly market-segment oriented rather than transport mode oriented.

The absence of international rules governing the successive carriage of goods resulted in peculiar problems in the matter of carriers' responsibility and the liability for loss of or damage to the goods occurring in the course of a multimodal transport operation.

In 1973, commercial forces created a set of rules under the ICC banner, while governments had initiated consultations on an international convention in the UNCTAD. In 1980, the MT convention was signed but it has so far received little support. In 1990, this situation forced commercial parties jointly with UNCTAD to replace the 1973 Rules by the UNCTAD/ICC Rules for Multimodal Transport Documents. These new rules have become commercial practices (new FIATA FBL, new BIMCO COMBIDOC). In Latin America, some governments have recently agreed on a regional legislation for multimodal transport, taking basic elements from the MT Convention and from the UNCTAD/ICC Rules. Other governments (e.g. India) have designed their own law on MT.

What is UNCTAD's mandate?

The United Nations Conference on Trade and Development (UNCTAD) is a permanent organ of the General Assembly of the United Nations, established by General Assembly resolution 1995 (XIX). The general aim of UNCTAD is to promote international trade and economic development, especially those of developing countries. Hence, the economic, commercial and related legal aspects of maritime transport including ports and connected inland transport are necessarily subjects of direct concern to UNCTAD. Subsequent decisions of various United Nations bodies have considerably expanded the scope of competence of UNCTAD to embrace the entire spectrum of the transport sectors involved in multimodal transport operations and in the standardization of containers.

In its Resolution 2098(LXIII) on Programming and Co-ordination in the United Nations system, ECOSOC endorsed the conclusions and recommendations of the Committee for Programme and Co-ordination. Among other recommendations, it assigned to UNCTAD *the responsibility, at the global level, for trade and development and related aspects of shipping*. The Committee also recommended that the primary responsibility with respect to multimodal transport and containerization be given to UNCTAD as the focal point within the United Nations system.

What has UNCTAD done in the field of Multimodal Transport?

In pursuing its mandate, UNCTAD has achieved a number of recognized results in the field of multimodal transport: the elaboration of the Multimodal Transport Convention (1980), the elaboration of model multimodal container tariff rules, a constructive participation with the private sector towards the elaboration of new rules on multimodal transport documents, the monitoring -on behalf of developing countries- of technological development in containerization, the organization of groups of experts to discuss issues on multimodal transport, the implementation of technical assistance activities as well as the creation of awareness on the subject through the organization of workshops and seminars (some 100 seminars and conferences all over the world).

What are the challenges ahead?

The challenges ahead are two-fold: (1) with the globalization of production and the liberalization of services, developing countries and countries in transition, more than ever, need more than ever to increase their capabilities in offering reliable and cost-effective transport and logistics services, taking advantage of technological development through appropriate "leap-frogging" into modern technologies and commercial practices; and (2) there is a world-wide need for harmonization of the legal environment for multimodal transport, in particular considering the development of new forms of international transport (combined road/rail transport and short-sea shipping in Europe, for example).

SUMMARY OF ISSUES RELATED TO MULTIMODAL TRANSPORT

These issues are discussed in the UNCTAD report TD/B/CN.4/46. It is suggested that the Standing Committee may wish to recommend to the Trade and Development Board that transport services be placed on the agenda of UNCTAD together with services subjects as key components in the services sector in fostering the development of trade.

General policy issues:

The effects of liberalization policies and increasing competitiveness on the MT sector

The Standing Committee may wish to evaluate the necessity of carrying out an assessment of the impact of the liberalization policies and increased competitiveness now being introduced throughout the developed world, on MT providers in developing countries and countries in transition with a view to identifying the most suitable transport policies for these countries to participate on a fair and equitable basis in the international transport of their foreign trade.

The question of whether there are market entry barriers to MTOs and freight forwarders to operate as principals not as subcontractors

The Standing Committee may wish to give consideration to whether developing countries' MTOs are allowed to compete on an equal basis on access to business to and from their own countries, and whether the limited open access is a result of small markets already saturated by domestic and international transport providers.

The development of strategic alliances between domestic and foreign transport providers and the local manufacturing industry, particularly in the context of MMTOs' operations

A constructive way of promoting MT is to monitor world-wide developments in transport technologies and publishing the findings. This would avoid "re-inventing the wheel" and making infant-industry mistakes, by "leap-frogging" into recognized transport choices regarding transport infrastructure, technology and policies. The Standing Committee may consider that there might be a need to monitor the continuing development of MMTOs, which continue to grow in size and shrink in numbers. The Standing Committee may also wish to propose specific actions for national MT providers in developing countries and countries in transition on actions to take to survive and prosper.

The development of national trade and transport facilitation committees

Governments and the local transport industry may consider ways in which the creation of such NTTFCs may be promoted in each country. Once this has taken place, the coordination among neighbouring NTTFCs may bring about harmonization at the subregional level without the intervention of outside parties.

The possible need for the establishment of a set of voluntary minimum standards for MTOs, similar to the successfully developed Standard Conditions for Shipping Agents.

It would seem desirable to draw up a set of voluntary minimum standards for MTOs, drawing to the largest possible extent on the earlier developed UNCTAD Minimum Standards for Shipping Agents. This would not only reduce the amount of work required, but would also ensure compatibility between the two sets of rules. This should be done with the assistance of the private sector including FIATA and other NVO-MTO organizations as appropriate.

The modernization of banking and insurance procedures, connected to MT operations, to facilitate the movement of goods

The secretariat is working with the ICC in Paris to promote the use of these modern rules such as the new INCOTERMS and the latest version of the ICC *Uniform Customs and Practices for Documentary Procedures*. It would seem useful if more localized training activities could be mounted in developing countries and countries in transition to promote these rules.

The on-going process of introduction of MT laws and regulations

It might be useful to take stock of the experiences of different regions on the establishment of subregional MT laws, regulations and administrative procedures. Governments might wish to harmonize national regulations and procedures with international commercial practices and recognize the need for a globally accepted framework for multimodal transport operations. In light of the slow ratification of the MT Convention and of the increasing importance given to MT by commercial parties (through the development of the UNCTAD/ICC Rules for MT Documents) and some governments (regional legislation such as the one implemented in the Andean Pact or the one proposed by the Latin American Association for Integration (ALADI)), governments might consider elaborating a new international instrument. This could be a convention on the transport of goods and would cover the door-to-door movement of goods, or it could be achieved by overhauling the existing conventions, by means of a protocol, after identifying the obstacles that have prevented their ratification (or adherence to them).

Technical issues:

The impact of the introduction of EDI in the transport industry, particularly with reference to MT operations

The Standing Committee may wish to consider if there is a need for transport providers and users in developing countries and countries in transition to become more acquainted with the introduction of EDI, particularly the need to adapt to the needs to possible changes in the definition of "writing", "signature" and "document" all of which are of crucial importance to the trading possibilities of developing countries and countries in transition.

Development of telematics as an alternative to electronic messaging

The Standing Committee may wish to give further consideration to the need for MT users and providers in developing countries and countries in transition to take the new development of telematics into account when they upgrade their electronic data processing (EDP) systems.

Development and use of software tools

The secretariat has developed a number of software tools for use by developing countries and countries in transition. For any software to be of any long-term use, it must constantly be updated and/or upgraded. States members of UNCTAD might wish to consider making such expertise available to the secretariat in order to allow the software to be maintained.

The continuing development of container sizes and standards and their impact

The monitoring of the developments in the field of international container standards has permitted the secretariat to draw the attention of ISO to the needs and requirements of developing countries. At present the main issue in this area is connected with the use of larger-than-present-ISO standard containers and with the venture of the so-called second-generation containers. These developments continue to be closely monitored and the cooperation between UNCTAD and ISO/TC 104 will be maintained in order to safeguard the interests of those countries not represented on this Technical Committee.

Operational issues:

The feasibility of creating national/subregional container pools among MTOs

Pooling of containers allows large companies to benefit from economies of scale. This makes it questionable to what extent container operators (or lessors) in developing countries and countries in transition that only control a few thousand units are able to compete with operators from developed countries. The Standing Committee may wish to consider giving this matter further attention, particularly regarding the potential benefits that may be derived from the use of "grey boxes" when used in a way that reduces the number of days containers are remaining idle or are moved empty.

The migration by transport service providers from developed countries from MTOs into physical distribution, multimodal logistics or "total transport" providers

This migration by transport service providers from "simple" MTOs into full physical distribution, multimodal logistics or "total transport" providers is opening new opportunities to the transport industry and to the trading community. The Standing Committee may wish to give further attention to ways and means of keeping aware developing countries and countries in transition of the potential benefits which can be derived from this development.

The impact of the development of inland clearance depots (ICDs) and logistics platforms on freight forwarders and MTOs

The introduction of ICDs has far-reaching implications for infrastructure requirements and transport organization. The Standing Committee may wish to give attention to the impact of such development.

The use of inland waterway transport, railways and short-sea shipping operations in MT to reduce the negative ecological effect of traditional transport

Transferring the transport of goods from the environmentally unfriendly road mode to the less environment-damaging modes of rail, inland waterway or coastal shipping transport services is one of the possible measures to protect the environment. A comparative analysis might be undertaken to investigate to what extent such a transfer of modes by MTOs in different countries might be beneficial for the transport environment. The Standing Committee might consider steps an MTO could take to facilitate the choice of transfer of traffic away from road transport towards railways, inland waterway and coastal shipping in a MT chain, resulting in an improvement of the environment and the economic performance. The Standing Committee may also consider how it may shape its policy in this important field so as to emphasize the need for transport providers to use the most environmentally friendly modes. This would make it possible to provide the necessary conditions for a greater use of sea/air, inland waterway transport and short-sea shipping operations in the context of international combined and MT operations. At the same time it may wish to consider the damage to the environment and infrastructure caused by overweight containers. In this connection it is suggested that eco-labelling and eco-certification of MT services may be of interest to the consumers and that a study might be undertaken of the conditions under which such certificates may be issued by a third party professional body.

The introduction or use of quality standards for MTOs and freight forwarders

The second session of the Standing Committee stressed that a major factor in the performance of an organization is the quality of its products or services. It would seem important that the MT industry takes measures to deal with this subject as a matter of some urgency, for example, through technical advice and training.

PRIVATE FREIGHT TERMINALS - NEED FOR A PRAGMATIC APPROACH

-M.N. Srinivasan

In the status paper on Indian Railways (May 2002), it has been stated that Railways are having plans for setting up of Private freight terminals and providing warehousing facilities through Central Warehousing Corporation. A MOU was signed early last year between the Railways and Continental Warehousing Corporation Ltd., (CWCL) for developing such a terminal near Gurgaon. The progress of this project is not known.

In the present system working of freight trains, only full trainloads and some two-destination rakes or multi-consignor single destination rakes are accepted for booking. Despatch of goods as smalls or wagon loads is not generally accepted by Railways, for, almost all the "Goods Sheds" which have not been remunerative have been closed down and abandoned.

When the concept of Private freight terminal is evolved into implementation, the following factors are to be taken into consideration:

- Development of such terminals at some single location on a Zonal Railway will not yield the desired result. This is due to the fact that the main object of this scheme is to generate train loads by aggregating smalls and wagon loads traffic at a nodal point or hub and dispatching the cargo either in wagons or containers in train loads to another hub located far away. If the truckloads are collected at Station A for despatch by rail to Station B matching facilities must exist at Station B also to disperse the loads to their respective destinations. The Railways should therefore act as one of the links and the concept has to change from road bridging to rail bridging of cargo. It means a minimum of two points will have to be identified to start with which will be operated by a single private agency. Freight bookings in full train loads will be accepted between the stations through demands placed by the private agency operating both ends of the corridor.
- The Private Operator should have the option to book the train either in his name and / or single or groups of wagons in the name of various agents / truck operators.
- Normal tariff rates should not be applied, as the commodities will be different in each wagon. A flat negotiated rate per trainload between the two terminals has to be arrived at. This should be subject to periodic review, based on the prevailing road transport rate per tonne between the two terminals. The rail rate will have to be such that the over all cost by the multi-modal movement will be lower than the fully - road mode. The add - on cost of the services rendered at the two end terminals together with the rail freight will have to be competitive for the end user. Otherwise the user will go to the road only as the risk of delays and loss of the consignment in transit during inter-modal transfer will be his main concern.

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Government of India.***

- The response from the private sector will be forthcoming only when the plethora of deterrent and one-sided clauses are removed from the conditions imposed upon the private operator by the Railways.

We have studied the MOU signed between IR and a Private Operator in 2001. Our views on some of the clauses are given in the tables included later in this article. In the following paragraphs, we wish to give our suggestions for the scheme.

The overall strategy has to be worked out between two selected terminals after taking a detailed Origin / Destination survey of road traffic passing through the corridor. After selecting the two end terminals, the Railways should examine the possibility of reviving the abandoned goods sheds and prepare a project report with all the costs involved for restoring / upgrading the facilities to make the goods sheds operable.

If the two identified terminals happen to be on two different zones, the concerned Marketing Managers must come together to finalize the project report with cost estimates and Detailed Engineering. If the hub is in a congested area or adequate land space is not available, the Railways could examine the feasibility of providing the facility nearby where adequate land space and good road connectivity is available. If the land belongs to Railways, it would be better if the Railway can lease out the land or offer as equity in case the project is promoted as a Joint Venture.

The IRR must be worked out in the Railway Project Report with a suggested flat rate that can be offered to the Private Operator and a fair projection of traffic through the terminal. The procedure that is adopted in inviting participants for private operation of Ports and in the Road sector must be studied and the concept of BOSP, viz., Build, Operate. Share Profits could be adopted.

Only after this stage is completed, limited invitations should be issued to selected road transporters having adequate resources for putting up the freight terminals by investing the funds required. The handling equipment, like fork lift trucks, portable belt conveyors etc.. to load and unload the wagons quickly, facilities for parking the trucks, locked Godown / Warehouse rest room facilities for the truck drivers, canteen, toilet facilities etc. have to be developed by the promoter for efficient interfacing between the Rail and Road modes.

In the normal course, the Railways should provide at their cost all track and OHE and other structures for the Goods terminal. As IR are not in a position to spare the necessary funds at this juncture, the invitation is extended to Private Operators to come forward with a commercially viable plan in which IR will be a partner. The cost of developing the terminal should be worked out in detail in the bankable Project Report brought out by the Railways to enable the Private Operator to assess the viability of the project, with the add-ons for his specific requirements and the working expenses.

The response from the developer must be in form of a detailed project report outlining the command area of the hinterland, the inward and outward commodities that will be handled through the terminal with projected quantities, with particulars of seasonal variations, perishable goods with quantities and seasons etc. This Project Report should also bring out clearly the prevailing freight structure in the road mode and the sustainable rail freight element that can make the project viable, when the cargo is forwarded by rail through the terminal by rail bridging.

A meaningful dialogue must be arranged between the Zonal Railway authorities and the promoter of the freight terminal to give a final shape to the features of the siding, the freight

rates that will be charged per wagon / train load on a negotiated Point to Point basis. A lot of preparatory work must be completed before these parameters are finalized by exchanging relevant information between the parties. The terminal operator should have the freedom to charge terminal handling and warehousing fees, in addition to the freight element, which may include the road component also. As the service is provided at both ends of the corridor, the total rate will be decided by the Private Operator. The Railways will book the wagons to the terminal and the responsibility of loading / unloading will be that of the Private Operator.

In order to encourage development of such terminals, the Railways should adopt the concept of charging freight on "graded system", higher the volume, lesser the freight charges, to enable the Private Operator to do the marketing on behalf of the Railways.

The Private Operator should be treated as a stakeholder and not as a contractor.

It would be desirable for the Railways to become pro-active and assume the role of a venture capitalist and opt for profit sharing rather than continuing to adopt a monopolistic attitude of loading the operator with all the costs. The foregoing suggestions may be examined by the Railways before finalizing the methodology to convert the idea of developing private freight terminals, which has made hardly any progress so far, into a successful reality. This will benefit the whole nation by minimizing if not eliminating the painful congestion in the roads, increase the tonne kilometers carried by Rail, thereby reducing the overall consumption of precious fossil fuel now being gobbled up by thousands of Road trucks.

As per MOU	Suggested Alterations / Comments
I Objective	
1 To set up a privately owned freight terminal for public use for receipt and dispatch of rail borne traffic in order to enhance freight earning	To set up a privately owned freight terminal which will be operated by the owning agency for providing integrated infrastructure services for rail bridging required for various transport operations, to achieve an overall saving in the total transportation cost, to the mutual benefit of the Railways and the operator.
2 To have multimodal facilities in the freight terminal to provide necessary rail-road link for better service to the rail users and to attract road traffic.	
3 To make available necessary warehousing facility at the terminal to facilitate receipt and dispatch of rail borne traffic	

- 4 To provide state of the art handling and storing facility for quick handling of such traffic

II Responsibility of CWCL

- 1 CWCL will enter into separate agreement with the zonal railways for the construction and operation / maintenance of the siding provided, subject to general rules and policies of IR.
- 2 CWCL will be responsible for getting all necessary clearances from State / Central government for setting up the terminal
- 3 For Container traffic CWCL will have separate agreement with the Container Corporation of India Ltd. (CONCOR)
- 4 For purpose of cargo loading/ unloading the terminal will be kept open for public use

III As per MOU

- 1 IR will make available to the private terminal service provider necessary facilities like rail link on payment of siding construction charges.
- 2 IR will supply necessary empty wagons as per agreed schedule or as per extant rules and procedure.

Responsibility of Railways

Railways will assist in all respects to get necessary clearances.

There need not be any involvement of CONCOR. If the Agency chooses to move cargo in International containers or his own containers, the Railways should be prepared to provide the required flat wagons.

This clause is ambiguous and defeats the objective. When the private agency has invested in the facility it can no longer be open for public use. All traffic moved through the terminal will be naturally generated by the private agency owning the terminal.

Suggested Alterations / Comments

The 4% charges for the approval of the design and estimate for the siding cost is not to be paid. These should be exempted from this rule.

For all practical purposes of allotment of wagons, treat as a revenue earning center. Railways must encourage higher level of indents from the operator and readily meet the requirement to demonstrate intentions to win back the traffic lost to road. If indents are not fulfilled, the traffic in any case goes by Road and Railways will be the losers. This clause is to be reworded to assure the prospective developer that wagons will be made available as per the demand within a reasonable time depending on density of traffic at that point of time. Procedure oriented work culture should be replaced by Result Oriented Work culture and business ethics.

IV Duties of CWCL

1. CWCL will construct, operate and maintain the freight terminal and warehousing complex for public use and provide all necessary services to the customers in loading / unloading on wagons.
2. CWCL will do necessary marketing to collect traffic and may provide necessary transportation and handling facility to the parties in transporting goods to and from the terminal to the parties' business premises.
3. CWCL will be allowed to levy handling / warehousing /road transportation charges from the customers.

Duties of CWCL

4. All goods from the freight terminal will be booked as per Railway traffic rules/notifications issued by Railway Board/Zonal Railway from time to time

V Duties of IR

1. IR will supply wagons either as per mutually pre-determined schedule or registration of indent as per rules
2. For handling the rakes of consignments at the terminal, IR will pay to CWCL service charges as decided by Railway through negotiations with CWCL. Service charges will be reviewed every five years from the date of operations of the terminal and the same will be linked to the volume of the traffic, and would decrease as traffic increase.

VI Operations of Terminal For Outward Traffic
A

1. For traffic to be booked, CWCL will place indent in advance for IR to make available necessary number of wagons.
2. All goods will be booked on paid basis before the goods are loaded and despatched from the terminal.

Duties of Private Owning Agency

No comments

No comments

No comments

Duties of Private Owning Agency

Not desirable. Please see VI A (3) below

Duties of IR

No comments

The offer to the operator should be sufficiently attractive to motivate him to function as the Marketing Agent for IR

No comments

The operator should have the option to book consignments as "To Pay".

3. Necessary Railway Receipt (RR) will be prepared by railway staff posted at the terminal as per IR's tariff rules and notifications made from time to time.

The rules can be framed suitably acceptable to both IR and the Private Operator with a provision for periodical review, for the successful and profitable operation of the terminal in the interest of both the parties.

Some profit sharing proposal also can be examined in this respect between the developer and the Railways as has been done in case of Adani Port Railway Link.

When the station-to-station rates are suggested, this is irrelevant.

No comments

4. Freight will be charged from the buffer end of the siding to the destination point.
5. Loading of traffic in wagons will be the responsibility of the CWCL and all consignments to be loaded within the free time allowed as per rules

No comments

6. For delays beyond the free time, demurrage will be levied on CWCL which should be paid by CWCL as per rules

Operations of Terminal For Outward Traffic

7. For consignments booked but not loaded and lying in warehouse, godowns sheds or open space, CWCL will bear the liability of the carrier/bailee as prescribed in section 99 of the Railway Act 1989.

No comments

8. Railways liability as carrier will commence from or terminate at the siding inter change point. If any theft, pilferage or damage to consignment takes place in the private siding area, when the consignment is in transit, the CWCL will accept the liability for such damage / loss

No comments

As per MOU

Suggested Alterations / Comments

9. CWCL will also be allowed to work as Freight Forwarder as per rules laid down by Railway

No comments

VI B For Inward Traffic

1. All inward traffic booked to the terminal (only 'Paid' traffic allowed to be booked) by various consignors will be placed at the freight terminal by IR.
2. Unloading the consignment from the rakes & further removal from the unloading area to the warehouse will be done by the CWCL
3. Further handling of consignment within warehouse or further despatch to consignee's business premises will be the responsibility of the CWCL
4. CWCL may charge from parties necessary warehousing, handling/transportation charges.
5. Unloading from wagons will be completed within the free time allowed as per Railway rules and for delay in unloading, demurrage will be charged as per Railway rules
6. Railway's liability as a carrier will terminate at the siding interchange point and for any shortage/loss/ damage, within the siding area, CWCL will be responsible.
7. After the expiry of free time for wharfage or the actual removal of previously unloaded goods whichever is earlier, the inward loaded wagons will be treated as placed for unloading

For Inward Traffic

The Private Operator can take the responsibility to pay the freight. In this case, the percentage surcharge will be levied.

No comments

No comments

No comments

No comments

No comments

No comments

VII

General

1. For the Railway staff deputed, CWCL will provide necessary equipment machinery, stationery and office facilities etc. for smooth functioning of the office. A monthly reconciled summary of transactions shall be jointly prepared by the Railway staff and the CWCL
2. IR will carry out necessary check of the terminal from time to time as deemed necessary
3. A suitable arbitration clause will be included in the agreement
4. The MOU will remain valid for a period of two years or till agreement for terminal operations is signed whichever is earlier. Agreement will be reviewed after 5 years from the date of commencement of rail operations from the terminal

General

1. All equipment computer, stationery, furniture, telephone etc. as required by Railways to fulfill their requirement will be provided by Railways. The Agency will have his office furnished to meet his managerial requirement to arrange for receiving the incoming road traffic, loading / unloading of the Railway Wagon, storage in his warehouse and retained and despatch of the goods by Road away from the terminal.

All monthly summary of transactions will be prepared by the Railway staff to fulfill the needs of the commercial department. Once the Railway receipt is handed over to the Agency after sending the wagons, his responsibility will cease.

2. No comments

3. No comments

4. The period of two years is rather short considering the fact that considerable time is spent at all levels before a final approval to commence the work is given by the Railways. The operator also needs time for the Financial closure of the project.

AN IMPERATIVE FOR INDIAN RAILWAYS: BUSINESS REENGINEERING

-Govind Ballabh

Business Re engineering : Concepts and tools relevant to IR'S FREIGHT and PASSENGER business.

In its historical evolution spanning 150 years IR had of necessity to evolve a uniform framework of systems, procedures and rules which came in handy to administer the sprawling network. Distances apart, its main activity centres namely 7000 stations, 60 Divisional and 9 zonal head quarters production units, workshops, locomotive, carriage and wagon maintenance depots engaging 15 lac employees did require uniform rules and procedures to give the organization the required unity and integrity without which its sub continental operations would not have been feasible. With monopoly not only in the matter of rail operation but also near monopoly in the national transport scenario as it obtained till 1960, IR seemed to be managing reasonably well despite the handicap of inflexible administrative structure. In the new millennium however, inland surface transport scenario which gradually evolved through the last four decades of 20th century, clearly assigns IR the role of the second most important transport mode carrying 23% of freight and 16% of total land bound passenger traffic. Road transport has witnessed a phenomenal growth both in terms of network expansion as well as the number of transport vehicles – the two major components of transport capacity. In the present state of marginalisation IR has to systematically review all its legacy systems –both for improving its internal administration and more importantly its interface with customers. While doing so it will be of advantage to internalise the best practices from the world over making use of the knowledge capital and global experience available at no costs .

However, the task itself on rough estimation may require 500 man years to cover the following facts of IR's working:

- Human Resource Development
- Passenger Business
- Freight Business
- Finance
- Maintenance
- Materials Management
- Production

The utmost urgency of undertaking this review comes from frequent threats of imposed organisational restructuring. However, a restructuring is imposed from outside, whereas process review is an internal exercise. In fact it precedes all restructuring. Irrespective of the

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fact whether IR retains its present organisational structure or not, it cannot escape an exhaustive business re-engineering exercise, as the mismatch between functional flows and information flows in all aspects of IR's working imposes sizeable costs both to the user and IR making it less competitive, compared to other transport modes.

These implications are illustrated in the following examples from the freight and passenger business as is presently conducted on IR.

<u>FUNCTION</u>	<u>OF</u>	<u>PROCEDURES ON IR</u>	<u>PROCEDURES ON ROAD</u>
<u>TRANSPORT</u>			
Acceptance of traffic		Submit Forwarding note ; Place indent deposit; Registration fee at Railways goods shed.	Transport is arranged on telephone; No deposit are needed;
Booking of cargo		Customers to bring cargo to the rail terminal	Cargo is collected from customers premises
Billing		Pay freight in cash or demand draft; IR does not accept cheque; Credit note facility available to few	Cheques are freely accepted; Transport available on demand.
Physical Movement		IR does not guarantee Wagon/rake supply; Allotment of wagons subject to ODR priority ; Transport availability uncertain; IR does not guarantee timely movement and destination arrival.	Transit time is guaranteed.
Information		IR has developed capability of on line cargo tracking, which needs terminal to be equipped to provide information to customers. Existing Application is for IR's internal use by control offices etc.	A global positioning system monitors truck on real time basis;
Post transit Services		IR does not have a single window service, to provide information about loss/delay in time; Customers have to spend money, time; claims on lost cargo take months, years	Truck operators provide information about delays and transit loss promptly; Claims are settled within 1 month.
General		Rail provides a distinct transport between two rail terminals (except movement between sidings)	Road provides seamless Door to Door service.

This sketchy comparison highlights immediate change in the following respects:

- Acceptance of cheques
- Deletion \ change in Preferential traffic schedule.
- Setting up inter modal terminals at 100 new locations
- 24 hour customer care services at important business centres to transact freight business. The customer does not go to the freight terminal which is like a workshop, where only the cargo goes in and goes out. All commercial work is done only in business offices.
- Extension of Terminal management systems at all locations having traffic of more than 5 rakes per month
- Running freight trains with transit guarantees with penalties and rewards
- Using FOIS for Cargo monitoring and settling claims for transit losses within 30 days of filing of claims
- Integration of entire freight related functions under one department. In the existing chaotic arrangement wagon supply and, movement of freight trains is with Operating Dept . Rates, terminals booking and delivery and claims is with Commercial dept. Nothing could be more irrational than this.

IR'S PASSANGER BUSINESS

The main components of IRs passenger business are:

- Long Distance
- Suburban
- Intercity
- Rural including branch lines

Being a nation of sub continental size, travel demand on this segment is very large. Air services, unlike US, are yet to grow and socio economic condition of majority of passengers is such that they cannot afford to avail of this option. Despite reasons to believe that the cost of air travel is likely to come down, it is still likely to remain beyond the reach of most domestic travellers. With extension of road network, there is a noticeable shift of passengers in the distance range of up to 500 kms from rail to road , particularly in leisure travel in pair of points like Delhi-Jammu , Delhi-Shimla, Indore-Mumbai etc. With improved bus design and improved condition of highways, it is likely that organised coach tours may easily cover journeys up to 1000 Kms.

Notwithstanding the inroads of road transport in long distance passenger business, its sheer volume, lack of amenities and slow speeds on roads will ensure that for quite some time, IR will carry a sizeable volume of this business segment. Whereas the suburban traffic in major metros of Kolkata , Mumbai ,Chennai and Delhi (inter-state only, intra-Delhi still largely on road) predominantly moves by rail , elsewhere in the country upcoming metros with population above 1 million are entirely dependent on road transport only.

The plight of rural sections and branch lines is such that trains are run to meet an obligation to provide maximum of two services each way. This frequency does not meet any overt passen-

ger requirement. As a result these services are very poorly patronised. The branch lines are in fact worse and on many such sections IR may be running an empty rake only. With parallel road net work and frequencies of 10 minutes and more, road transport has near monopoly in this segment.

The systematic issues which are highly pronounced in passenger business relate to

- Issuing of tickets and the cost of it – For unreserved tickets and suburban tickets at other than the 4 metro towns, the experience of buying a ticket is traumatic. IR's own experience with city booking offices has not been a very happy one. Selling of tickets promptly at the exact price is something which will increase patronage and cut revenue loss due to forced without ticket travel. Airlines tickets are available at hundreds of locations. On the same analogy, unreserved rail ticket could be made available through large number of outlets.

IR should be really proud of its achievements in respect of issuing of reserved tickets and organizing such massive reservations. Shortcomings in the PRS system which affect the passengers are

- Queue lengths and waiting time. This can only be reduced by private participation as IR does not find it commercially viable to increase the number of booking windows or new terminal locations.
- Use of internet for booking purposes although announced as govt policy in the budget speech has still not seen the light of the day. With proliferation of internet cafes even in rural areas, this is an opportunity which IR is slow to imbibe. E-commerce is a well established system and the country has software and hardware capability and the supporting legal framework to make its best use.
- Non availability of accommodation. By not analyzing the data stored in PRS data warehouse, IR is causing enormous distress to a large section of passengers who are not able to get confirmed accommodation. A detailed analysis of past data will clearly indicate the total demand for traffic between a number of origin/destination points. By running special trains and by giving confirmed reservation tickets by running duplicate trains, IR can eliminate the vice of transferred tickets altogether.

Since customer care is IR's weak area, a very large number of issues relate to poor service quality, in respect of each set of interactions which the passenger has with IR personnel at stations, and on board the train etc This is a subject which should call for a detailed study and thorough revamping of the sub systems which form part of passenger convenience and his sense of well being. Not last in the list—poor safety standards do affect passenger preference. Mere helplessness of passengers therefore should not lull into a disbelief about IR's credibility and acceptability as the preferred mode of transport.

For achieving all this, IR has no option but to go in for an ERP which works through on line transactions and has decision support tools providing seamless integration of all the components of the business. Unless this is done IR's business share in passenger segment may fall below the existing level of 20%.

An Apology

In the January 2002 issue of TRANSPORT News, Dr John Preston's article titled "Regulation Policy in Land Passenger Transportation in Europe" was featured. This was, in fact, an excellent paper presented to the Seventh International Conference on Competition and Ownership in Land Transport, Molde, Norway, held from 25-28 June 2001.

A printer's devil ensured that the accompanying data in tables and figures was not printed. The Editor owes an apology, both to Dr Preston, and the readers. To remedy the loss, the portions missed out are printed below.

Table 1: Key indicators for European Urban Bus Systems

	R/TC	PK/VK	VK/SN	TC/VK
Deregulated	0.85	16.7	17,987	1.44
Limited Comp.	0.47	11.9	19,383	2.26
Regulated	0.47	27.0	16,387	2.97

R =

Revenue, TC = Total Cost, PK = Passenger Kms, VK = Vehicle Kms, SN = Staff Numbers

Source: European Commission, 1997.

Table 2: European Union Railway Performance

	Operating Performance		Commercial Performance		Financial Performance	
	Vehicles Kms/Staff Nos		Traffic Units/Vehicle Kms		Total Rev./Total Cost	
	1994	1997	1994	1997	1994	1997
State Controlled Firms	2,522	3,183	185	176	0.42	0.49
Commercial Firms	3,318	3,992	164	161	0.48	0.50

Source: Shires and Preston, 1999.

Table 3: Structure of the Rail Industry (% breakdown by revenue)

Based on Knowles (1998)

1997		2001	
National Express Group plc (5 Franchises)	20%	National Express Group plc (9 Franchises)	29%
Prism Rail plc (4 Franchises)	9%	Stagecoach Holdings plc/ Virgin Rail Ltd. (4 Franchises)	20%
MTL Holdings Ltd (2 Franchises)	9%	First Group plc (3 Franchises)	15%
Stagecoach Holdings plc (2 Franchises)	8%	Arriva Ltd. (2 Franchises)	9%
Go-Ahead Group plc (2 Franchises)	4%	Go-Ahead Group (2 Franchises)	4%
First Bus plc (1 Franchise)	3%	Connex Rail Ltd (2 Franchises)	14%*
Connex Rail Ltd (2 Franchises)	14%	Sea Containers Ltd (1 Franchise)	6%
Virgin Rail Ltd (2 Franchises)	12%	GB Railways Group plc (1 Franchise)	2%
Sea Containers Ltd (1 Franchise)	6%	M40 Trains Ltd (1 Franchise)	1%
GB Railways Group plc (1 Franchise)	2%		
Great Western Holdings (2 Franchises)	12%		
M40 Trains Ltd (1 Franchise)	1%		
12 Separate Groups		9 Separate Groups	

*Re-Franchising will see 1 Franchise with around 6% of revenue transfer from Connex to Go-Ahead

Table 4: Structure of the Bus Industry (% breakdown by revenue)

1985		1999	
National Bus Company (NBC) (70 subsidiaries)	28	First Group	23
Scottish Bus Group (SBG) (9 subsidiaries)	6	Stagecoach	16
London Transport (LT)	13	Arriva	16
Metropolitan PTCs (7 companies)	18	Go Ahead	7
Municipal PTCs (50 companies)	10	National Express	6
Independents	25	Other Privatised	10
		Publicly Owned	6
		Independents	15

Sources: Cole (1998), TAS (1999)

Table 5: Estimated Net Benefits of Removing Organisational and Interoperability Barriers to Passenger Transport at a European Level (BECU)

Organisational Barriers		Interoperability Barriers	
Deregulation of Express Coach	1.5	Low Floor Buses & Trams	1.1
		Park and Ride Systems	1.3
Commercialisation of Rail Passenger Services	10.0	Multi Systems HSTS	1.3
		Real Time Information	0.5
		Links between Heavy & Light Rail	1.5
Tendering/Franchising of Urban/ Regional Public Transport	6.5	Other Measures	1.0
TOTAL	18.0		6.7

Source: Preston, 1999a

Figure 1 Location of Domestic European Transport Sub-Sectors in 1980 and 1997

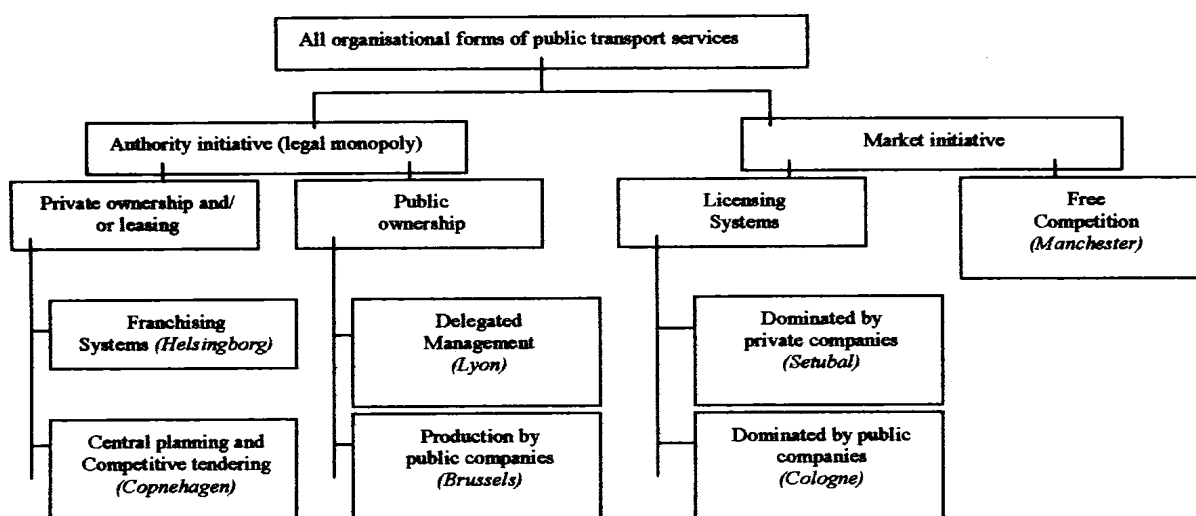
Product
Market(Competition)

Monopoly	RoadI 80			RoadI 97		
	Raill 80			Raill 97		
	RailO 80			Rail O 97		
	RoadOU 80			RoadOU 97		
Duopoly						
Oligopoly						
Monopolistic Competition				RoadOIU 80		
				RoadOIU 97		
Perfect Competition						
	Govt. Dept.	Govt. Agency	Public Sector Co.	Mixed Owner-Ship	Private Stock Exchange Listed	Private Manager Owned

Capital Market (Ownership)

I = Infrastructure, O = Operations, IU = Inter Urban, U=Urban.

Figure 2 Organisational forms of public transport services



Source: Van de Velde (1999)

Figure 3 Location of Domestic European Transport Sub-Sectors in 1980 and 1997

Product
Market(Competition)

No	Rail 80		Air 80	Sea 80 Road P80		Road F80 In Nav 80
		Rail 00				
Partial Cabotage					Sea 00	
Complete Cabotage				Air 00 Road P00		Road F00 In Nav 00
	Govt. Dept.	Govt. Agency	Public Sector Co.	Mixed Owner- Ship	Private Stock Exchange Listed	Private Manager Owned

Capital Market (Ownership)
P = Passenger, F = Freight.

Road and Rail : Don't Duplicate Infrastructure

- Sanjay Misra

The Government of India is in the process of setting up a expressway network connecting the four major Indian metropolitan towns of Delhi-Kolkatta-Mumbai-Chennai, largely running parallel to the existing “Golden Quadrilateral” of Indian Railways. The project is being monitored at the highest level, and is progressing quickly. The author brings out the futility of infrastructure replication, and argues for a planned transport network that encourages multi-modalism in an efficient manner.

The first problem is duplication. The Indian Railways have their own golden quadrilateral, which is roughly 18 % of the total track length and caters to about 60% of the entire traffic carried by the railways. The proposed road quadrilateral is bound to divert traffic from rail to road—a process already underway.

This is because of the many artificial advantages that road traffic enjoys over the railways. Diesel is highly subsidised in India. It constitutes about 80% of the truck running cost and this benefits the road operator. In fact, this high diesel subsidy has led to the “dieselisation” of the Indian economy. The ratio of diesel to petrol consumption in India is 7:1, among the highest in the world. It is also to be considered as to how long the oil companies can maintain this artificial differential, now that the administered price mechanism has been dismantled.

On the other hand, electricity used by the railways is charged at very high rates to offset the low cost of electricity supply to the agriculture sector. Apart from this, the railways also perform public service obligations. These include subsidising suburban traffic and non-suburban lower classes, carrying essential commodities below cost, operating uneconomic branch lines etc. Last year , this cost the railways slightly more than Rs.4000 crores. All these add up to the freight charges of the railways. The road operator doesn't have this problem.

So do we need to move traffic away from the railway quadrilateral to the road quadrilateral at a huge cost to the nation? Two extremely important points should be kept in mind:

- Since the railways have available land in most areas anyway, it would have perhaps been better to lay fresh track along the railway quadrilateral.
- The costs being mentioned for the road quadrilateral are initial costs only. The

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maintenance cost for roads are much higher than that for the railways.

Let us look at the larger picture and locate this debate in the context of the National Transport Policy. It was not without reason that the National Transport Policy Commission recommended way back in 1980 that roughly 70% of the freight traffic should be carried by rail and the rest by road. This was reiterated by the Planning Commission in all subsequent Plan documents. Energy consumption was the paramount concern, and the railways are six times more energy efficient than roads. Of the petroleum products consumed in the transport sector, 70% goes to the road sector and 10% to rail. Keeping in view the huge import bill India incurs for petroleum products, energy efficiency is crucial indeed.

The actual trend, however, shows traffic continually moving from rail to road, from about 60% of the total freight in the 60s, the railways today carry 40%. Besides the disadvantages from the hidden subsidies enjoyed by road as mentioned above, the railways need investment which is not forthcoming. International experience suggests railways should grow 1.5 times faster than the economy to meet the demand for transportation. In India, budgetary support from the exchequer has been steadily decreasing, from 75% in 1950 to 15% in 2000.

In all fairness, the government does have a point. Resources are finite and demands are many. Yet, it is surprising that decision makers have gone ahead and invested these scarce resources in duplicating transport infrastructure. The investment in the road quadrilateral shows the diversion of resources away from a more crucial area-rural roads. Of the 6 lakh villages in India, an amazingly high 45% lack all weather roads. The condition of the roads that do exist ranges from unsatisfactory to pathetic. Roads are required to provide access to markets. Without these, how do you provide schools, medical attention, electricity, etc.? At this rate, these parts of our country will be permanently left out of the mainstream.

And yet, the highway proponents seem to be having their way.

One also has to be careful about the claims of private sector participation in building roads. Private sector participation predicates on hidden costs; it expects land at low or no cost, long term credit at concessional rates, the right of commercial exploitation of adjacent land etc. The failure of the toll road between Pune and Mumbai is food for thought. If the most developed corridor in the country has problems with toll roads, one can imagine the situation in the poorer parts.

There is one valid argument in favour of better highways. The competition between rail and road will provide better service to the consumer and lead to greater efficiencies. That may be true, but to make the competition meaningful, the railways will have to be given a level playing field. More importantly, it is important for India to plan its infrastructure, since resources dictate that we are not yet in a position to go in for the luxury of competition.

Finally, this is not about competition between rail and road. This is about providing the most efficient transport network at the least cost to the nation, ensuring no one gets left out. The railways and our roads have to play a complementary role, like the state and the market. It makes economic sense for the railways to concentrate on the long distance segment; roads can complement this with their tertiary reach. Let them both do the job they are best suited for.

