Initiatives to Enhance Revenue on Indian Railways

Technical Seminar Series
3rd Seminar
09 August 2018
Ideas Covered

Customer focus

Some freight related initiatives

Some passengers related initiatives

Non-Fare Revenue initiatives
Context
Growth
Rail Coefficient

Estimate of National Transport Development Policy Committee

Freight Coefficient

- 1951: 89
- 1978-79: 65
- 1986-87: 53
- 2007-08: 30
- 2017-18: 33

Passenger Coefficient

- 1951: 68
- 2011-12: 10
Shares in earnings

- GOODS: 67.15%
- PASSENGER: 26.12%
- OTHER: 2.63%
- SUNDRY: 4.09%

Thursday, 08 August 2018
Customer focus
Mahatma Gandhi on customer

A Customer is the most important visitor on our premises.

He is not dependent on us. We are dependent on him.

He is not an interruption on our work. He is the purpose of it.

He is not an outsider on our business. He is a part of it.

We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.
Railway Freight Services vis-à-vis Customer Expectations

Price Competitiveness of this Mode of Transport

Only in bulk and for long distances

For customers with captive sidings

Out priced by other modes since multiple handlings are involved in rail transport

(issue of first mile and last mile connectivity advantage)
Ease of doing business with the transporter

Customers need to approach Railways- mindset?

Customers having sidings have an advantage

Entry barriers high- e.g. construction of a siding both costly and cumbersome

IT applications like E-RD, E-payment, etc have improved ease of doing business with Railways
Predictability of wagon supplies-time lag between demand and supply of wagons

Wide variation- both among areas and commodities

Rake may be supplied immediately on demand or may have a substantial lag
(10 months in some cases!)

Priority to essential commodities like fertilizers impacts supply of rakes to other commodities
Passenger

Ticketing
Confirmed reservation
Demand >> Supply
Risk of monopolistic behaviour and exploitation by IR
Other coaching

Archaic systems

On platform loading

Antediluvian rules including packing conditions

Extremely hostile customer interface
Freight Initiatives
Wagon Investment Schemes
Initially introduced in April 2008

Objective:

To attract private investments in

Special Purpose Wagons (SPW) and High Capacity Wagons (HCW)

by end-users, or Wagon Leasing Companies for leasing to the end-user
Liberalised Wagon Investment Scheme (LWIS)

Types of wagons

BTAP

BFNS

BTCS
Liberalised Wagon Investment Scheme (LWIS)

All commodities covered – except coal, coke, ores & minerals

No Registration Fees

Has to apply for a minimum 1 rake for specific circuit

Has to procure full rake composition, including brake-van, as notified by IR with 4% additional wagons as maintenance spares
Liberalised Wagon Investment Scheme (LWIS)

Maintenance of the wagons by IR – on payment

Agreement ‘valid for the codal life’ of the type of wagon inducted

LWIS rakes to operate between private terminals equipped to handle SPW

(LWIS Operator must have a tie up with private terminals or own its terminals or sidings)

Railway good sheds may also handle such trains
Special Freight Train Operator Scheme (SFTO)

Initially introduced in May 2010

**Objective:**

To increase rail share of the non-traditional commodities

(e.g. molasses, fly ash, edible oil, caustic soda, chemical, petro-chemicals, alumina, bulk cement, etc)

<table>
<thead>
<tr>
<th>Category</th>
<th>Commodities</th>
<th>Registration fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bulk fertilizers, bulk cement, fly-ash</td>
<td>₹ 7 crore</td>
</tr>
<tr>
<td>2</td>
<td>Bulk chemicals, petrochemicals, bulk alumina</td>
<td>₹ 10 crore</td>
</tr>
<tr>
<td>3</td>
<td>Steel products</td>
<td>₹ 10 crore</td>
</tr>
<tr>
<td>4</td>
<td>Molasses, edible oil, caustic soda</td>
<td>₹ 3 crore</td>
</tr>
</tbody>
</table>
SFTO (BRNA Wagon)
General Purpose Wagon Investment Scheme (GPWIS)

Introduced in April 2018

Objective:
To cater to long-term demand of Railway Freight Customers, and to achieve accelerated growth in freight traffic

Feature
Distinct colour code (will not be mixed with IR’s pool of wagons)

Eligibility
Producers or consumers of goods transported by rail
PSUs, CPSEs
Logistics providers
Port owners/Port Rail Companies

Mine owners
Wagon Leasing Companies (WLCs) for use of end-users only
GPW (BOX, BOXN)
Automobile Freight Train Operator Scheme (AFTO)

Introduced in February 2013

**Objective:**

To increase IR's market share in transportation of automobiles (two and three wheelers, cars, tractors, etc) – by inviting private participation
AFTO (BCABM)
Automobile Freight Train Operator Scheme (AFTO)

Wagons

Only special purpose wagons (SPW) designed to carry automobiles

Commodities

Passenger cars, SUVs, two/three wheelers, tractors, mini trucks, chassis, shells of cars, automobiles in CKD condition

Special feature

Back-loading permitted with automobile verticals (auto ancillaries, spare-parts)
Wagon Leasing Scheme (WLS)

Introduced in April 2008

Objective

To develop a strong wagon leasing market with a view to bring in wagons of better design

Focus on

High Capacity wagons, Special Purpose wagons and wagons for containers

Wagons to be leased to end-users and operators as permitted in the concession
## Comparison of features

### Type of wagon

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>WLS</td>
<td>HCW</td>
</tr>
<tr>
<td></td>
<td>SPW</td>
</tr>
<tr>
<td></td>
<td>Wagon for Container movement</td>
</tr>
<tr>
<td>LWIS</td>
<td>SPW and HCW</td>
</tr>
<tr>
<td>SFTO</td>
<td>Special Purpose and High Capacity Wagon</td>
</tr>
<tr>
<td>AFTO</td>
<td>SPW (BCACBM)</td>
</tr>
<tr>
<td>GPWIS</td>
<td>General Purpose wagons (BOX, BOXN, BCN etc.)</td>
</tr>
</tbody>
</table>
## Comparison of features

### Ownership of the asset

<table>
<thead>
<tr>
<th>WLS</th>
<th>WLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>LWIS</td>
<td>End users (investor/ Lessee ) or WLC (Lessor)</td>
</tr>
<tr>
<td>SFTO</td>
<td>SFTO Investor till codal life of wagon</td>
</tr>
<tr>
<td></td>
<td>SFTO will be Consignor and Consignee for RR</td>
</tr>
<tr>
<td>AFTO</td>
<td>AFTO Investor or WLC</td>
</tr>
<tr>
<td></td>
<td>AFTO will be Consignor and Consignee for RR</td>
</tr>
<tr>
<td>GPWIS</td>
<td>Party who has procured the rake (User or WLC )</td>
</tr>
</tbody>
</table>
Comparison of features

Period of Agreement

<table>
<thead>
<tr>
<th>WLS</th>
<th>Registration of a WLC will be valid for 20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>LWIS</td>
<td>IR will have no right to use these wagons subject to prior written agreement between IR and such investor</td>
</tr>
<tr>
<td>SFTO</td>
<td></td>
</tr>
<tr>
<td>AFTO</td>
<td>20 years, extendable till expiry of codal life of wagons</td>
</tr>
<tr>
<td>GPWIS</td>
<td>Codal life</td>
</tr>
</tbody>
</table>
## Comparison of features

### Maintenance cost

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>WLS</td>
<td>By IR on payment</td>
</tr>
<tr>
<td>LWIS</td>
<td>@5% of the capital cost</td>
</tr>
<tr>
<td>SFTO</td>
<td>By IR at its own cost during the currency of the agreement</td>
</tr>
<tr>
<td>AFTO</td>
<td>By IR on payment. @2% of the capital cost</td>
</tr>
<tr>
<td>GPWIS</td>
<td>By IR on payment. @2% of the capital cost</td>
</tr>
</tbody>
</table>
## Comparison of features

### Freight rebate

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Quantum</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WLS</strong></td>
<td>If WLC purchases wagons from CTO, SFTO, AFTO and end users, the applicable rebate will be that of the policy under which the wagons were procured initially</td>
<td>Lessee (i.e. end user)</td>
</tr>
<tr>
<td><strong>LWIS</strong></td>
<td>SPW -15% &lt;br&gt; HCW -12%</td>
<td>End user</td>
</tr>
<tr>
<td><strong>SFTO</strong></td>
<td>SPW 12% and HCW 12%+2%</td>
<td>End user</td>
</tr>
<tr>
<td><strong>AFTO</strong></td>
<td>Haulage charges as notified by IR from time to time</td>
<td>End user</td>
</tr>
<tr>
<td><strong>GPWIS</strong></td>
<td>10% on base freight on each loaded wagon for a period of 15 years with a cap to the extent of lease charges payable by IR to IRFC</td>
<td>Payer of freight</td>
</tr>
</tbody>
</table>
## Comparison of features

### Who gets the scrap

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>WLS</td>
<td>Not mentioned</td>
</tr>
<tr>
<td>LWIS</td>
<td>Investor will not be entitled to any residual value of the rake procured by him</td>
</tr>
<tr>
<td>SFTO</td>
<td>Not mentioned</td>
</tr>
<tr>
<td>AFTO</td>
<td>Not mentioned</td>
</tr>
<tr>
<td>GPWIS</td>
<td>Not mentioned</td>
</tr>
</tbody>
</table>
Tariff Schemes
Long Term Tariff Contract with key freight customers (LTTC)

Objectives:

Long term Gross Freight Revenue commitment from customers at pre-determined price escalation principle

Grant of incremental Gross Freight Revenue (GFR) linked and volume linked discount to customers

Main Features:

Discounts range from 1.5% to 35% as per the incremental growth in GFR

Customers are required to offer at least 1 million tonne traffic per year
Long Term Tariff Contract with key freight customers (LTTC)

Other Features:

Period of agreement – not less than three years and not more than five years

Customer will have to offer 1 million tonne in the first year and more than 3 million tonne traffic during the agreement period

Customers offering more than 5 million tonnes of traffic per year will get discount on retention of traffic subject to same amount of GFR being maintained over the period of the agreement
Long Term Tariff Contract with key freight customers (LTTC)

Excluded commodities

All commodities below class-100, coal & coke, iron ore, military traffic, POL, RMC, container and automobile traffic

Freight Rate

Fixed freight rate as prevalent (at that date) during the beginning of the each year of the agreement period

Any increase in rates during the year effective from the beginning the next year of the agreement

Discount in freight under this scheme will be given as refund within 45 days
Long Term Tariff Contract with key freight customers (LTTC)

Agreement

To be signed at Zonal Railway level

For multi-zonal operations will be signed with that zonal railway which deals with maximum traffic of that customer

Customer can opt for single zone or multiple zone agreements or both

Beneficiaries

Key customers such as cement, fertilisers, steel industries etc
Double Stacked Dwarf Containers (DFDC)
Double Stacked Dwarf Containers (DFDC)

A new delivery model to increase loadability and attract new traffic ‘under wire’

Trial for running of Double Stack Dwarf Container successfully conducted on Jamnagar-Ludhiana route on 02.03.2017.

Haulage rates structure issued on 14.07.2017

Tariff of this delivery model is 17% lower than the tariff prevalent for normal ISO container

Feasibility of other routes being examined
Liberalised Automatic Freight Rebate Scheme in Empty flow Directions

Loaded traffic in empty flow direction being charged at LR1 (with certain conditions) – average discount of 30 – 40%.

Loading increased by 208% by 13.97MT)

Earning has increased by 212% (by ₹867.70 Cr.) compared to last year.

In 2018-19: 1.29 MT of additional loading generated along-with ₹48.48 Cr. of earning – from April 18 upto June 18.
Station-to-Station Rates

Guidelines issued on 29.09.2016

Up to 30% concession for incremental traffic between station to station

15% concession available for retention of traffic

Loading available from a cluster of stations within 150 km from each other

Two benchmarks

Customer has to cross own loading benchmark

Also to cross station or cluster benchmark for that commodity

Potential for additional traffic of 5 million tonne

Zonal Railways have signed 72 agreements till 31 March 2018
Other changes in policies

Rationalised policy on Merry Go Round System issued w.e.f. 01.04.2016

To facilitate transportation of coal from mines to power houses near pit heads

MGR freight rates kept very competitive about 82% lower than the normal freight rate
Other changes in policies

Discount for loading of bagged consignment in open and flat wagons issued on 24.10.2016

30% discount granted on loading of Fly Ash and Urea (neem coated Urea)

20% discount granted on loading of Cement, China clay, Chemical, Food-grains etc.
Other changes in policies

RO-RO New Delivery Model

ZR shall decide the rate/charge as per local conditions

Weighment of trucks permitted on trial basis on road weighbridges to encourage loading
New customer friendly initiatives

Electronic transmission of Railway Receipt

Pilot project launched on 30 January 2015 at HPCL/Loni over CR

Second phase implemented over NR in March 2018

Zonal Railways asked to take steps for registration of customers under e-RD module of FOIS

FOIS/CRIS is working on system design modification to include container traffic under eT-RR
New customer friendly initiatives

Customer friendly rationalisation of weighment policy

Variation in two weighment results - 2nd weighment will be the chargeable weight

Non feasibility of load adjustment of overloaded wagon at originating point Weighbridge out of order for three months

Dispensation from mandatory weighment to standard bag consignment in containers, pet coke, met coke, chuni dal and De-oiled Cake

Pre-weigh bin or weight-o-meter
Comments invited

Draft Proposed Policy on Advance Freight

Customers and general public asked for comments on the draft policy

Offer to major customers to get priority transit on payment of advance freight for the ensuing period
Terminals
Private Freight Terminals

Policy first introduced in 2012

Objective:

To open the area of terminal development to logistic services providers, to create world-class facilities

PFTs to be developed on private land – to deal with railway traffic, including parcel and container traffic
Goods Sheds

Renewed focus on upgradation and modernisation of goods shed

Objective:

Upgrade and modernise goods sheds to attract more and varied traffic by enhancing customer experience
Passenger related Initiatives
Seasonal variations in Passenger traffic

Seasonal variations in Passenger traffic

PASSENGERS (IN MILLIONS)

[Graph showing trends from 2017-18, Actual 2018-19, and Target (2018-19)]

Thursday, 08 August 2018

Initiatives to Enhance Revenue
Initiatives to enhance earning through Passenger Services

Augmentation of ticket selling capacity

Automatic Ticket Vending Machines (ATVM), ticket booking through mobile phones, Jan Sadharan Ticket Booking Sewaks (JTBS), Station Ticket Booking Agents (STBA), Yatri Ticket Suvidha Kendra (YTSK)
Initiatives to enhance earning through Passenger Services

Augmentation of on-board capacity
Additional coaches, Festivals and Holiday Special trains during, Suvidha trains

Special measures
Tatkal Quota, Premium Tatkal Quota, Flexi-fare system, Suvidha trains
Initiatives to enhance earning through Passenger Services

Vikalp

Alternate Train Accommodation Scheme (ATAS) known as VIKALP
To provide confirmed accommodation to waitlisted passengers
To ensure optimal utilization of available accommodation

Increase in RAC berths
The number of RAC berths has been increased to provide additional accommodation to the passengers
Initiatives to enhance earning through Passenger Services

New Trains

Gatimaan, Tejas, Humsafar and Antyodaya with higher fare structure than Mail/Express trains

Some fare increase

Platform tickets from ₹5 to ₹10

Minimum fare for non-suburban from ₹5 to ₹10

Clerkage and Cancellation charges
Initiatives to enhance earning through Passenger Services

Fare rebates and discounts

10% rebate on base fare on vacant seats booked after preparation of first chart in all trains including Rajdhani, Shatabdi and Duronto trains.

Discounted fares have been offered in some trains which showed less patronage over some part of the journeys

Optimum use of quotas

Powers delegated to PCCMs to decide the percentage of Tatkal quota in Rajdhani, Shatabdi and Duronto trains based on the utilization of Tatkal quota within certain limits
Non-fare Initiatives
Background

Rail Budget 2016-17 announced creation of NFR Directorate:

“To reorganize Railway Board along Business Lines and setting up cross functional Directorates in Railway Board to focus on areas for enhancing revenues by 10 to 20% from Non Tariff Sources.”
Subjects allocated

Advertisement

Stations

FOBs, ROBs, RUBs

Railway buildings, Loco Sheds, Production Units, Structures on Railway premises (like water tanks, Microwave towers, OHE masts etc)

Coaches (both inside/outside), Locomotives, Wagons

Land along with tracks and near railway stations
Subjects allocated

Parking of vehicles in railway land other than at stations;

Onboard (trains) and off-board (stations) entertainment,

Sponsorships of activities and events at stations, branding etc.

Radio, Video, Internet, Wi-Fi, Mobile Apps, Interactive services (like video games etc) in railway premises including stations

To provide innovative suggestions ideas and inputs related to Tourism and Tourist trains for increasing revenue
Policies created

Rail Display Network
Out of Home Advertisements
Mobile Assets Advertising
Content on Demand
Unsolicited demand
NINFRIS

Simplification of Parking policy
Policies created

Rail Display Network

To explore non-fare revenue to Rail Display Network to enable real time flow of information to passengers and also unlock digital advertising potential which will lead to increase in non-fare revenue.
Out of Home Advertisements

To monetize advertising assets apart from station area such as circulating areas of A1 to F category of Railway stations, Rail over Bridge (ROB), Rail under Bridge (RUB), Level Crossing Gates, Railway Colonies, Railway Workshops, Railway Production Units, Railway Land along the tracks etc.
Policies created

Mobile Assets Advertising

To offer combined freight packages consisting of internal and external advertisement to help realize economies of scales and get more marketing flexibility thereby getting enhanced earnings for Indian Railways.
Policies created

Content on Demand

To detail the various conditions to monetize entertainment based services on trains and stations.
Unsolicited proposals to enhance NFR

To consider … unsolicited proposals made by outside agencies, with a potential for enhancement of earnings by enabling private and public participation in the conceptualization of an earning project/scheme and permitting finalization of the same.
New and Innovative Ideas and Concepts Scheme for Generation of Non Fare Revenue

To promote new ideas and concepts related to passenger convenience and enhancing Non Fare Revenue, a policy on Indian Railways has been formulated and issued on to Zonal Railways for its effective implementation.

Focus on all new and innovative ideas, concepts, proposal, ideas, themes, etc., that have not been tested before and with potential to enhance non-fare revenue earnings.

One year tenure for the first contract

Opportunity cost approach
# Estimates of earning

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Item</th>
<th>RE 2017-18</th>
<th>BE 2018-19</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>COD</td>
<td>50</td>
<td>100</td>
<td>Discharged on 03.07.18</td>
</tr>
<tr>
<td>2</td>
<td>RDN</td>
<td>300</td>
<td>400</td>
<td>Discharged on 17.05.18</td>
</tr>
<tr>
<td>3</td>
<td>OOH</td>
<td>150</td>
<td>400</td>
<td>Discharged 22.03.18</td>
</tr>
<tr>
<td>4</td>
<td>ATM</td>
<td>300</td>
<td>150</td>
<td>Tender invited twice- but no response</td>
</tr>
<tr>
<td>5</td>
<td>Mobile Assets</td>
<td>50</td>
<td>150</td>
<td>Delay led to delegation to Zones on 16.02.18</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>850</strong></td>
<td><strong>1200</strong></td>
<td>Earning from Advertisement and Publicity 204.10</td>
</tr>
</tbody>
</table>

**Total**
Thank you