

RESTRICTED

RAIL TARIFF ENQUIRY COMMITTEE

FINAL REPORT



सत्यमेव जयते

**MINISTRY OF RAILWAYS
GOVERNMENT OF INDIA**

JUNE 1980

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FINAL REPORT OF R. T. E. C.

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FINAL REPORT

INTRODUCTION

Setting up of the Rail Tariff Enquiry Committee

0.01 The Government of India set up the Rail Tariff Enquiry Committee (RTEC) in September, 1977 to examine the structure of fares, rates and other charges for carriage of goods and passengers on Indian Railways. The Committee consisted of the following:—

- | | | |
|-------------------------|----|-----------|
| Dr. H. K. Paranjape | .. | Chairman. |
| Shri K. T. Mirchandani | .. | Member. |
| Shri V. K. Sthanunathan | .. | Member. |

0.02 A copy of Government Resolution appointing the Committee is attached as Annexure 0.1. The terms of reference were as follows:—

- (a) To examine the structure of fares, rates and other charges for public traffic carried by passenger trains and/or goods trains, in all its aspects, and ancillary and incidental matters such as packing conditions and booking and delivery of, and payment for, traffic;
- (b) To examine the structure of fares, rates and other charges for post office mails and military traffic carried by passenger trains and/or goods trains, as also ancillary and incidental matters;
- (c) To examine any other cognate matters that may be referred to the Committee by the Ministry of Railways; and
- (d) To recommend the modifications which should be made bearing in mind, among other relevant considerations, the interests of the common man, the requirements of developing economy, and the importance of making the Railways financially viable and the possibility of increased operating efficiency; and
- (e) Any other matters connected with the rationalisation and simplification of the freight and fare structure on the Indian Railways and any other incidental matters relating thereto.

Interim Report

0.03 The Committee submitted an Interim Report in November, 1978 making interim recommendations regarding season ticket fares, special concessional table applicable to Second Class (Ordinary) fares upto 50 kilometres, and freight and parcel rates of certain commodities to remove anomalies arising out of exemptions

from levy of supplementary charges imposed in 1974 and 1976.

0.04 The recommendations made by the Committee in the Interim Report were generally accepted and implemented by the Government except that the increases in the season ticket fares suggested by the Committee were reduced.

Main Report

0.05 The Committee submitted its Main Report on 21st April, 1980. This Report was in five volumes as follows:—

- | | | |
|---------------------|----|-------------|
| (1) Volume I | .. | The Report. |
| (2) Volume II | .. | Annexures. |
| (3) Volume III to V | .. | Appendices. |

0.06 Volume I, *i.e.*, the Report itself was in four parts. Part I dealt with the basic considerations in approach to tariff making which included a financial review and operational performance of Indian Railways, an estimation of the traffic projections and investment requirements of Railways till end of the century and analyses of railway costing.

Part II dealt with passenger fares and rates for luggage, parcel and other coaching traffic. History of passenger fares, results of the passenger profile surveys, the Committee's recommendations regarding rationalisation of passenger fares, season ticket fares, parcel and luggage rates, rates for other coaching traffic and other related subjects such as tariffs for special trains, reserved coaches, passenger travel concessions etc., were dealt with in this part.

Part III dealt with the freight traffic. The history of freight rates and the proposals for rationalisation of freight rate structure including classification of goods and rates for smalls, wagon load and train load traffic were given in this part.

Part IV gave a summary of the Committee's Conclusions and Recommendations.

Final Report

0.07 The term of the Committee expires on 30th June, 1980 and with the submission of the Final Report, the Committee's work will be complete.

0.08 In Chapter III of Volume I of the Main Report, various indices of operational performance of Indian Railways were compared with

important foreign railway systems and it was concluded that, over a period, Indian Railways have improved their operational efficiency significantly, achieving the best results in 1976-77 and 1977-78. In general, its operational performance and utilisation of assets compare favourably with important railway systems of developed Western countries and Japan. However, the efficiency of utilisation of track and rolling stock is much better on U.S.S.R. and Chinese Railways, which suggests that there is room for improvement, especially in terms of utilizing capital assets. It was observed in para 3.50 of that Chapter, "It would not be realistic to anticipate that such improvements can be achieved overnight. Railways being a complex and gigantic organisation, such improvement can only be brought about through sustained efforts over a period of several years . . . the Committee has held extensive discussions with the railway officials and the rail users inviting their suggestions for improving operational efficiency . . . The suggestions received by the Committee are under examination. The scope for study in this sphere is vast and it will not be possible for the Committee with its limited time span to go into much detail in this connection. However, the Committee is examining some of the major aspects related to railways' operational efficiency and their recommendations pertaining to this aspect will be contained in the Final Report."

The subject of improving Railway efficiency has, accordingly, been dealt with in Chapter I of Final Report. Other items of the terms of reference dealt with in this Report are:—

- (i) Charges for Postal Traffic;
- (ii) Rates for Military Traffic;
- (iii) Terminal Charges for Port Trust Railways;
- (iv) Sidings;
- (v) Packaging Conditions;
- (vi) Miscellaneous Commercial Matters.

A summary of the Conclusions and Recommendations made in this Report has been given at the end of this Report.

0.09 Apart from having discussions regarding the measures to be taken for improving operating efficiency of the Indian Railways, the Committee had toured the country extensively and visited a number of important goods terminals, transshipment points, stations and marshalling yards during these tours. These visits and discussions have helped the Committee immensely in formulating their recommendations on the subject of improving operating efficiency.

CHAPTER I

IMPROVING RAILWAY EFFICIENCY

Introduction

1.01 We have been asked to make our recommendations keeping in view, among other relevant considerations, the possibility of increasing the efficiency of the operation on the Railways. The importance of this aspect has been further underlined by the statement that we should avoid taking a cost-plus approach. It may be recalled that, on examining the financial as well as physical indicators of the results of the Railways' working, we came to the conclusion that the Railways had attained a reasonably high degree of efficiency in the year 1976-77. As was indicated in our Main Report, we have assumed that the attainment and maintenance of that level of efficiency can be considered as an adequate objective for the time being.

1.02 This does not, however, imply that improvement of operational efficiency merely involves going back in all respects to whatever existed on the Railways, and in the country, in that period. The situation and the problems go on changing; and the methods to tackle them have also to be different. Moreover, improvement in levels of efficiency has to be thought of as a continuous process, and is the result of a number of factors. We could not have avoided taking a look at the various factors which influence the manner in which the Railways operate and which affect their overall manner and efficiency of working, because an examination of costs and tariffs inevitably involves looking at these problems. Persons who discussed the problems with us, especially those from within the Railways system, inevitably drew our attention to many aspects of the organisation, procedures and various other aspects which affect the manner and efficiency with which the Railways operate. It was therefore in any case unavoidable for us to deal with the overall question of increasing the efficiency of the Railway system.

1.03 At the same time, we are very much aware of the fact that the Railways being a vast and complex undertaking, factors which affect their efficiency are not only very large in number, but many of them are such as to require detailed studies of a technical and economic type which would involve far more work than the Committee has been able to undertake within the time and resources available to it. It should therefore be clearly understood that the Committee has dealt with only some of the aspects to which its attention has been drawn in the course of its investi-

gations and studies. Its examination of some of these matters is tentative in character and hence, in most cases, the Committee has thought it appropriate only to draw the attention of the Government to important aspects of the problem, indicate certain possible approaches and leave it to Government, either through special future studies or otherwise, to decide on the exact course of action.

An Operational Approach to Improving Efficiency

1.04 One point that stood out in a number of our discussions, as well as in the writings and reports about the Railways is the tendency to make assumptions which, in the given context, are likely to prove unrealistic. Thus, it is many times pointed out not only by lay critics but even by bodies like the Planning Commission that, only with a little effort, the Railways would be able to carry far more traffic even with the existing resources and facilities as they did in 1976-77. What is overlooked is that these particular conditions may not become available at the instance of the Railways. If certain changes do occur in the country, the Railways can take note of them and act accordingly. But if they do not take place, it is no use making an assumption that they would take place and formulate railway plans, programmes and operational methods on such a basis. It should not be overlooked that, by their very nature, Railways are more likely to be adversely affected if there is a general trend towards disorder or disaffection in any part of the country. And such trends emerge not so much because of what the Railways do or do not do, as because of the overall law and order or labour relations' position in the given area. Such problems are related to the total environment in a given area, the existence of unsocial elements and their connections. There is little that the Railways as such can directly do to improve such overall conditions.

1.05 This is not to say that the Railways cannot do anything, and must necessarily accept a role of waiting for things to improve. What is necessary is that, for tackling the problems that Railways have to face as a result of such conditions, the fact that Railways can do very little to improve the overall situation has to be realistically faced; and solutions to these problems, to the extent possible, thought of in terms of actions within the competence of the Railways. This may still imply that the outcome will not be as

satisfactory as one would like it to be; but the present approach, which many times consists of assuming that these are temporary difficulties which will be got over within a short time, is not useful and even upsets many Railway plans and operational programmes.

1.06 When it comes to guarding Railway property, it is necessary that a realistic assessment of what the State Railway Police can do and will do should be made. The assumption that, because constitutionally the maintenance of law and order is the responsibility of the State Governments, the Railways can sit back and expect the State Governments to do their duty, is merely to connive at what is going on and permit the situation increasingly to go out of hands. The Railways have already got this question of railway security and protection examined by Shri Kripal Singh in 1976. He had gone into these matters in great detail and made recommendations. It is not necessary for a Committee like ours to go into the details of the recommendations made by him and whether these should be implemented as they are or they should be modified. We realise that some difficulties arise as a result of the constitutional division of powers, and the reluctance of State Governments to part with some important powers allotted to them. But the relevant point surely is that this is an area where early decisions, even if they are costly in terms of what is considered appropriate in normal times, need to be taken and implemented speedily if the efficient operation of the Railways is not to be continuously hampered as has been happening in the last two years or so. Some of the recommendations made by Shri Kripal Singh have been implemented. But the law and order situation in many parts of the country today, especially as it affects the Railways, is far worse than it was when Shri Kripal Singh made his report. So whatever expansion of the RPF, improvement in the facilities available to them, and increase in the subsidy to State Governments for improving the services of the State Government Railway Police are involved, will surely be a small cost to pay if the loss to Railway property and, what is even more vital, the interruptions and delays in railway operations can be reduced. Even if this extra expenditure is to be recovered by way of special surcharge on traffic in particular areas where special arrangements have to be made, the large majority of people will not mind it provided it improves the position regarding thefts, pilferages and dacoities which are becoming frequent.

1.07 Or take the question of the placing of fit wagons for loading. Even casual observation shows that there are large numbers of unfit wagons under use. On enquiry one is told that maintenance schedules cannot be kept either because of shortage of wagons or various difficulties in workshops; and with so much un-

satisfied demand for goods to be carried, it is not possible always to spare wagons for repairs. If experience suggests that more frequent repairs are necessary than originally assumed, should such experience not lead to a revision regarding the assumptions to be made so that the requirements of additions to wagon fleet and workshops facilities can be suitably revised and necessary investments made? Here again, one comes up against the fear that either the Railways or the Planning Commission or both together have failed to make adequate provision for replacement of assets and repair facilities. If the planning authorities find that the Railways do not mobilise enough funds and there is a limitation on what the General Exchequer can provide, they should surely insist that the Railways should mobilise more resources. The Railways, especially in the recent past, have not mobilised adequate resources. This is an important factor which has contributed to the present difficulties which the Railways face.

1.08 To take another example, mention may be made of the difficulties faced by traffic moving towards the North-Eastern States. It is well-known—and it was emphasised over and over again during the Committee's visits to those States—that, as a result of the inadequacy of traffic movement on the railways, these States have always been faced in recent years with great difficulty in getting adequate supply of their essential requirements such as foodgrains, salt, sugar and cement. It is well-known that, unless these commodities are moved in adequate quantities to appropriate places before the break of the monsoon, the population in different parts of these States face great difficulties. As a result of cement shortage, development activity suffers; as a result of shortage in respect of commodities like salt, prices rise to inordinate levels which hit the poor sections very hard. The inadequacy of supplies before the monsoon necessitates air-dropping operations which are very costly. In spite of these well-known facts, little effort has been made to tackle on a realistic basis the problems faced by North-Eastern States as a matter of urgency. The conversion of gauge has certain obvious advantages, but it will take another year or two before the gauge conversion gets effected even upto Gauhati. In the meanwhile, the labour troubles and other difficulties at some of the key points continue to create bottlenecks in transshipment and hinder adequate movement of traffic to the North-Eastern States. The view that, if only the Government decides to be strict, the matter would be sorted out comfortably, is a kind of counsel of perfection over which at least the Railways have little control. Probably, it would be less difficult for the Railways to speed up the conversion work. Sanctioning of even special extra funds for speedy gauge conversion may be justified. Of course, the earlier hope was

that, as Gauhati would be a comparatively trouble-free area, the problems of transshipment could be handled more easily there than at places like New Bongaigaon, New Jalpaiguri etc. However, one does not know how far this earlier assumption would be valid in the new circumstances. This brings us to the question regarding the whole problem of organisation of work at transshipment points.

Problems of Transshipment

1.09 Transshipment at the points of change of gauge continues to be a major bottleneck in the transport of goods by railways. As the Indian Railway system will have to live with different gauges, and especially with broad gauge and metre gauge, for a long time, it is necessary that more attention is given to reducing the delay as well as other difficulties such as damage, pilferage etc. which appear to be more common at transshipment points.

1.10 One difficulty in handling the transshipment appears to be the inadequacy of facilities. The number of transshipment platforms and covered space may be inadequate as compared to the requirements; or the shunting engines, lighting or even things like hand carts etc. may be inadequate. It is well-known that there are a number of transshipment points where comparatively small investment in facilities of this kind can improve the output; but these also get postponed from year to year. We have even seen transshipment platforms which were not properly constructed—their floors being of inadequate strength so that the workers find work more difficult and efficiency of transshipment suffers.

1.11 The other common difficulty at a number of transshipment points appears to be one regarding labour. Formerly, transshipment work used to be organised through contract labour. The contractor was paid at a certain rate per ton transhipped; and it was the contractors' business to secure labour and pay them. This did in many cases lead to exploitation of labour and therefore the Government has attempted to replace such contract labour either by departmental labour in a few cases, or by cooperatively organised workers in others. Unfortunately, at least in the few cases where we were able to secure information regarding this matter, it appears that a perverse kind of leadership takes control of illiterate and uneducated workers in these circumstances; and the result is that transshipment work is delayed while at the same time labour continues to be ill-paid. Only at a few points, genuine cooperatives are organised so that the workers benefit from whatever payments Railways make at the appropriate rate.

1.12 While the question of cooperative organisation is again a wider question affecting

many fields of the national economy and is not confined to railway labour alone, it is necessary that the Railways should not be expected to support labour cooperatives at the cost of holding up transshipment work (the same applies to loading or unloading of goods and parcels and other such work). Where it is found that there is difficulty about a proper leadership being made to organise labour cooperatives, or where leadership which was at one time effective becomes riven with dissensions and work begins to suffer, it is necessary that local Railway authorities should be permitted to organise work differently so that transshipment does not suffer. We have learnt about instances where, because of pressure from local politicians, directions are issued all the way from New Delhi or Zonal headquarters without appreciating the local circumstances. While it is only proper that Railway authorities everywhere should be expected to encourage cooperatives even if it means a certain increase in the transshipment costs, it is essential to leave the discretion to the local authorities to change over to an alternative system if it is found that labour cooperatives do not ensure efficient and economical transshipment. It is also necessary that whoever is in charge of the work—the private contractor, a labour cooperative or, in rare cases the local railway official—should ensure that adequate labour is available for carrying out the transshipment work with speed whenever it falls due. It is true that this may mean that there would be a certain inevitable casualness about the extent of employment for the workers involved. On some days there would be much more work than on other days. Sometimes the work may be in the day-light hours and sometimes it may be in the evening hours. But it is surely wrong in a country where capital is so scarce that wagons should be kept idle and not released because labour is not permitted by the trade union or the cooperative to work at odd hours. We find that such restrictive labour practices are attempted to be enforced by certain labour unions or cooperatives, who fail to understand that such restrictive practices in the long run affect the prospects of employment and the proper working of the transport system adversely. It may not be inappropriate for larger payments to be made when work is to be undertaken in night hours. But to prevent work from being done, and thus delay transshipment and hold up wagons is not sensible in a capital-starved country like ours. It is necessary that the Railway authorities by offering proper payments for night work etc., or even by offering extra payments when transshipment load is specially heavy as compared to the normal ensure that the workers undertake extra work or night work when necessary; but at the same time they must make it clear that transshipment cannot be delayed. Following the same logic, it is necessary to give a fresh look to the

terms and conditions on which contractors are employed for transshipment work. The Tender Committee probably need to be given more powers, procedural formalities simplified and reasonable rates offered to contractors. It may also be necessary to allow for variations in the normal load of transshipment work in the rates so fixed so that contractors are compensated for abnormal increases or decreases in the workload. This may necessitate compensation when the workload gets reduced by a certain percentage of the normal workload, say, 25%, and relief in regard to demurrage for detention of excess stock of wagons.

1.13 A major factor which affects transshipment adversely is the difficulties regarding matching stock. The problem arises partly because of lack of operational coordination, and partly because of inadequacy of rolling stock, especially on the metre gauge. It has been suggested that it may be necessary to resort to unloading wagons and dumping the goods on the ground on one gauge and then loading them on the other gauge as and when matching stock is available. This would, no doubt, result in double handling of the consignments and require provision of adequate space for dumps. This will, however, release wagons without delay. Some kind of incentive or at least facilities may perhaps also be given to those who are interested in the early movement of their goods and agree to do the transshipment work at their own cost, though this will involve certain procedural problems which will have to be sorted out. But whatever can be done to reduce the transshipment delays will have a major favourable effect on goods movement.

1.14 It may also be pointed out that it does not happen infrequently that facilities at transshipment points remain inadequate because of the assumption, usually justified when it is originally made, that the transshipment point would operate as such only for a short time. This happens especially when a project for gauge conversion is approved but is carried out in distinct stages and there happen to be long gaps in taking up the different stages consecutively with speed. The result is that the transshipment point which might originally be expected to be used as such only for a year or two might continue to be so used for ten or twelve years. The facilities originally created to last only for one or two years may then continue for long only with marginal additions, thus creating continuous difficulties and problems in effecting efficient transshipment.

1.15 Finally, we would also like the whole question of transshipment to be given a fresh look, especially in respect of large-scale transshipment of major commodities. Special wagon designs and transshipment methods are already

used at a few points for bulk transshipment in commodities like coal. It appears to us that much more attention has to be given than uptill now to new methods and systems for transshipment. In view of the very large increase in the quantity of traffic to be handled at some transshipment points, the design of wagons, the manner in which transshipment should be organised, the equipment that should be used for the purpose etc. need to be studied in a system analysis. Somehow such an approach does not seem to have adequately developed upto now on the Indian Railways.

Container Traffic

1.16 A note on the Container Traffic is given in Annexure 1.1. The present fleet of containers on Indian Railways mainly consists of 5-tonne containers with a small number of 4.5-tonne containers also. The new development with regard to international traffic is the introduction of ISO containers with gross weight of 20 tonnes to 30 tonnes and the Railways are also gearing themselves to transporting such containers from ports to interior places. This traffic is likely to develop in the coming years. A note on ISO containers is given in Annexure 1.2.

1.17 Container service will be very useful for transporting manufactured goods, particularly of the sophisticated type, because of the comparative safety in transportation and reduction in packing costs, apart from the quick transit involved and door-to-door service. Though the container traffic on the Indian Railways is now very small (accounting for 0.26% of freight earnings in 1978-79), in the years to come, to cater to the special kind of traffic and particularly import traffic, container services will have to be augmented. The use of containers for carrying smalls traffic may also be considered.

1.18 The container rates are at present fixed based on the cost of service as well as the value of service. It is a negotiated rate taking into account rates by competitive modes of transport. The Marketing and Sales Organisation of the Railways fixes these rates taking all aspects into account. These rates are being fixed piece-meal on commercial considerations.

1.19 The arrangements for road transport of these containers from the terminal station to the godowns require review with regard to maintenance, repairs etc. Railways may perhaps find it best to arrange the road transport through contractors—State Transport where feasible—rather than add to its own responsibilities.

Other Types of Wagons

1.20 In addition to containerisation, it is also necessary that more attention is paid to the

development of different types of wagons suited to various types of traffic. One difficulty that is usually pointed out in having specialised rolling stock suited to particular types of traffic is that the empty return ratio may increase as a result of their increasing use. On the other hand, it is possible that the loading and unloading of different commodities could be facilitated and thus speeded up through the use of such specialised wagons, and this may reduce the high turn-round figure that the Railways have been experiencing. The difficulty about increasing the supply of such wagons because of shortage of investment resources could be got over by permitting the major users to provide their own wagons. At least in the present day shortage of wagons, some priority which the wagon owner would enjoy in the availability of the wagons may provide a good incentive for them to invest in new wagons@. In this context it may be interesting to note that in the United States, out of a total of 1.6 million freight cars, 0.36 million are owned by non-rail-road companies. In the latter, as may be expected, tank wagons predominate (0.171 million owned by non-rail-road companies as against a total of 0.174 million tank wagon stock)*.

Improvement in Working of Goods Marshalling Yards

1.21 Efficiency in the working of goods marshalling yards has an important bearing on the operational efficiency of the Railways. It has been estimated that on the Indian Railways on an average, a wagon spends about four hours per day on trains, about one hour in repairs, about 4.5 hours in terminal detentions for loading and unloading, and the rest of the time, which is over 14.5 hours, in marshalling yards. It will thus be observed that for better wagon utilisation, improvement in the working of marshalling yards has an important role to play.

1.22 From the suggestions received from various Zonal Railways in reply to the questionnaire and also during the oral discussions, the Committee would like to mention some of the areas where improvements could be effected. In the case of a number of yards, improvements in layouts would contribute significantly towards better operation. Railways have already made out proposals for such remodelling of important yards; what is necessary is that sufficient funds have to be allocated for the purpose. Alongwith remodelling, mechanisation of important mar-

shalling yards will also be useful. Provision of diesel shunting engines in major marshalling yards would also improve efficiency of yard operations significantly. The progress in this direction would necessarily depend on the availability of funds and indigenous capacity for manufacturing of diesel shunting engines alongwith development of requisite maintenance facilities for the diesel shunting engines.

1.23 The telecommunication facilities in major yards also require improvement. It has been suggested that it will be useful to have wire-less communication between assistant yard masters and shunting masters/shunting jamadars in the major yards. It has also been suggested that better facilities for movement of staff in marshalling yards are required. In the yards, suitable pathways or roads should be provided to enable yard staff to move about on cycles or scooters. Supervisory staff working in marshalling yards could be given some monthly allowance for making use of road vehicles like scooters for official purposes. It would also be useful to have pucca jeepable roads all round the yard so that security staff can also have better patrolling of the yards.

1.24 It has also been brought to our notice that some of the major yards should have higher level supervision preferably by gazetted officers.

Block Loads, Unit Trains and Point to Point Trains

1.25 Railways are best suited to carry bulk traffic and traffic for long distances. Such traffic is amenable to be carried in Block Loads which can bypass intermediate marshalling yards. Sorting and reformation of trains in marshalling yards involves considerable detention of wagons, and often damages the wagons and consignments loaded therein. In view of this, the importance of transporting as much goods traffic in Block Loads as possible cannot be overemphasised. This will ensure better utilisation of rolling stock, quicker transit of goods and greater customer satisfaction. The National Transport Policy Committee, 1980, have also indicated that movement by Block Loads is more economical.†

1.26 Basically, a block load is a goods train which bypasses one or more intermediate marshalling yards. We may classify the block loads in the following categories:—

* "National Transportation Policies through the year 2000", Final Report of the U.S. National Transport Policy Study Commission, June 1979, Washington D.C., p. 18.

@Where suggested a rebate in freight in such cases where wagons are owned by the parties.

† Report of the "National Transport Policy Committee" Government of India Planning Commission, New Delhi, March 1980, para 3. 2. 13.

(i) *Ordinary Block Loads*

Whenever at a particular goods marshalling yard there is sufficient and regular traffic for specific destinations, the Marshalling Orders for that yard normally prescribe formation of Block Loads at that yard for the concerned destinations. Such Block Loads normally bypass one or more goods marshalling yards.

(ii) *Point to Point Train Loads*

Certain streams of traffic are carried in point to point train loads. The entire train is loaded with the same commodity at one point and is booked for a particular destination. Coal to power houses, washeries, steel plants or cement plants, iron ore to steel plants and for export, and POL traffic are usually carried in such trains.

(iii) *Unit Trains*

Unit trains are also point to point train loads but they have to satisfy certain additional requirements, some of which are mentioned below:—

- (a) Such trains are moved in a close circuit between two nominated points on fixed schedules.
- (b) The rakes moving such trains are dedicated to these specified services, *i.e.*, they remain as a part of the particular train.

Maximising Introduction of Unit Trains

1.27 There is no doubt that maximising the running of block loads, point to point train loads and unit trains will improve efficiency in railway operation. With a view to encouraging greater movement of traffic in train loads, the Committee has recommended a certain rebate in freight for movement of traffic in train loads (*vide para 14.31 of Main Report*). Railways are already taking certain measures to maximise movement

of traffic in block loads*. However, it is felt that there is considerable scope for introducing a larger number of unit trains and point to point schedule goods trains as discussed below.

1.28 A high level of wagon utilisation is achieved in respect of traffic cleared through Unit Trains. For example, Unit Trains were introduced on the Bhusaval and Nagpur Divisions of the Central Railway which carried coal from Umrer Coalfields to Nasik, Bhusaval and Paras Thermal Power Houses. It was possible to achieve 215 wagon kilometres per wagon day for wagons utilised on these trains.† On the American Railroads wagon utilisation achieved on Unit Trains is over 500 kilometres per wagon day.

1.29 Certain streams of traffic such as coal to Power Houses, Steel Plants, Washeries and Cement Plants, iron ore to Steel Plants and to ports for export etc. in any case involve empty movement of most of the wagons in one direction. Introduction of Unit Trains working for such streams of traffic, though involving 100% empty running in one direction, would bring about considerable improvement in operation. In order to cater for fluctuation in traffic from time to time, an increasing part of traffic to Power Houses, Steel Plants and Cement Plants etc. could be put on Unit Trains. Preventive maintenance of the rakes working such trains on a scheduled time table basis could be organised. The pair of points between which such rakes should work could be painted conspicuously on the wagons and all concerned staff suitably notified and educated to work these trains on the published time table. Ordering of trains in respect of such Unit Trains could be dispensed with and to that extent the work load for daily planning of movement could be reduced.

Percentage of Block Load Movement to total Movements

Commodity	Broad Gauge			Metre Gauge		
	1976-77	1977-78	1978-79	1976-77	1977-78	1978-79
Coal	86.2	87.0	82.0	59.4	59.0	53.0
<i>Export ores :</i>						
(a) Iron ore	100.0	100.0	100.0	74.0	45.0	50.0
(b) Manganese ore	83.0	96.0	100.0	53.0	—	—
Mineral oils	90.0	92.4	93.0	71.4	62.5	56.0
Other commodities (excl. Rly. Stores and materials)	23.3	29.0	32.0	9.2	16.0	15.7

SOURCE—Indian Railways Year Book, 1978-79, p. 72.

*The proportion of block load movement to total in commodities like Coal, ores and mineral oils is quite large.

†“Unit Trains on Central Railway” by Shri R.C. Acharya, Rail India, Oct. 1978 (pp. 103).

Point to Point Scheduled Goods Trains

1.30 Indian Railways are also running a certain number of scheduled Super Express Goods trains between specified pairs of points. Examples of some such trains are given below:—

- (a) Wadi Bandar (Bombay)—Shalimar (Calcutta) Super Express Goods Trains.
- (b) Wadi Bander—Slat Cotaurs (Madras) Super Express Goods trains.
- (c) Madras—Shalimar (Calcutta) Super Express Goods trains.
- (d) Carnack Bridge (Bombay)—New Delhi Liner Express Goods trains.

These trains are run to scheduled timings which are published in Public Time Tables for information of the rail users. The total transit time taken by these trains is indicated in the time table. Certain intermediate important points are also served by these trains. Wagons booked under the scheme of Quick Transit Service are cleared by such trains. The Committee during their discussions with the rail users have found that the rail users prefer such scheduled super express goods trains as these give a certain degree of assurance regarding the transit time of the consignments.

1.31 During the discussions of the Committee with various Chambers of Commerce, it was often represented by the rail users that they would prefer to send their long distance traffic by rail rather than by road provided they could be assured of regular supply of wagons and some guarantee regarding the transit time. There is much uncertainty regarding the transit time when wagons move in piecemeal, being subjected to sorting and remarshalling at intermediate goods yards. However, when they are cleared by Point to Point scheduled goods trains, there is considerable certainty regarding transit time. That is why super express goods services are being preferred by the rail users.

1.32 It is seen from the 'Report on Commodity Flows' submitted by RITES in November, 1979 to the National Transport Policy Committee* that there is considerable scope for further introduction of point to point scheduled goods trains on bi-weekly, weekly or on 10-day basis depending upon the quantum of traffic. RITES have identified 64 pairs of points (involving 35 origin and 34 destinations) between which more than 1 lakh tonnes of traffic (excluding coal, iron ore and POL) moves per year, and between which one train could be scheduled to

run every fifth day or more often.* In addition, they have identified 193 pairs of points between which more than 50,000 tonnes of traffic flows annually, and one train could be scheduled between every pair once in ten days.

1.33 It is recommended that scheduled goods trains should be introduced to connect the 64 pairs of points between which more than one lakh tonnes of traffic moves per year in the first instance. Later on, similar scheduled trains could be introduced to connect the 193 pairs of points between which more than 50,000 tonnes of traffic flows annually. Regularity of movement of such trains is bound to make them popular and encourage the rail users to send greater quantum of traffic through these trains. Frequency of such trains could be increased in future depending on the quantum of traffic.

1.34 A further refinement of such scheduled trains could be tried out between pair of points where the regularity of traffic is assured. According to this proposal, the users should be allowed to book wagons on the trains on specified days according to their convenience on the same lines as reservations are done in passenger trains. A proper wagon registration fee could be prescribed for such reservations of wagons so that bogus registrations are not resorted to.

1.35 During discussions, Railways officials have indicated some difficulties in introducing a larger number of point to point scheduled goods trains, specially to cater to the requirements of general goods traffic. Firstly, it may not always be possible that enough number of empties are generated at the specified points as per schedule. Secondly, the available empties may be fully utilised by 'Committed Traffic' which stands in higher 'Priority Order'.

1.36 So far as generation of empties is concerned, the RITES study shows that the required quantum of traffic is already moving between specified pairs of points which means that empties are already being supplied. However, the problem of 'Priority Schedule' will have to be solved by making a specific provision to that effect.

1.37 To start with, such scheduled trains may not attract full loads in a few cases, though if the decision is taken on the basis of a proper study, this is not likely to happen. But it is necessary to run such trains to schedules even underload to start with. When the regularity of running such trains is established and is known to users, more and more traffic is bound to be attracted and it would not be difficult in the long run to ensure full loads for such trains. Such

*"Interim Report on Commodity Flows", Rail India Technical and Economic Services Limited, New Delhi, November 1979.

trains would not only improve wagon utilisation but will provide much better quality of service by way of assured supply of wagons and guaranteed transit time.

Research and Development

1.38 For an undertaking of the size and importance of the Indian Railways, research and development work has got to be organised as a major activity. Like in many other fields the Indian Railways were a pioneer in initiating work relating to standardisation of designs and some related research activities. An organisation for this purpose—the Research, Designs and Standards Organisation (RDSO)—has been in existence on the Indian Railways (with changing names and scope) since 1930. In more recent years, the Organisation has been significantly expanded in terms of personnel as well as facilities. Its total budget is of the order of Rs. six crores; this is 0.3 per cent of the total Railway Budget. A very large part of the work done at the RDSO relates to standardisation, inspection of stores and investigations relating to enquiries and problems posed by different railway organisations. No fundamental research is undertaken. Applied research mainly related to different aspects of railway engineering is undertaken. A recent achievement of the Organisation is the development of thyristor control for diesel engines which has been developed in collaboration with the Bhabha Atomic Research Centre. Considerable work is done by way of developing modifications in locomotives which are being produced in the country, on designs originally imported from abroad, so as to suit Indian conditions and to increase the use of indigenous materials. Another significant achievement has been in the field of development of designs for new types of passenger coaches or different classes and with better facilities. In the field of civil engineering, developments such as continuously welded rails and the use of concrete sleepers as well as complicated bridge designs are achievements of which the Organisation can be proud.

1.39 As regards the development of indigenous designs for railway traction, it appears that upto now what has been mainly attempted is the indigenisation of the design with certain modifications to suit Indian conditions. It needs to be noted that no organisation in India, either in the public or the private sector has upto now succeeded in designing any diesel or petrol engine. Experience has shown that foreign designs are not entirely suitable to Indian conditions, as the position regarding track strength, possible speeds, etc., is very different here as compared to many developed countries. It has therefore been decided that diesel engine design should

be taken up in India and a new organisation is being set up for this purpose in cooperation with the World Bank. It needs to be noted that it will take something like ten years before the scheme can come to fruition and suitable designs begin to be developed.

1.40 In this connection, what has not received adequate attention in the past is that, with the very large unified railway system that we have in India, resulting in a substantial base market for railway equipment of different kinds, India has the potentiality of becoming a major producer and exporter of such equipment. A further advantage that India can have in this respect is that the climatic, operating and traffic conditions in many developing countries are likely to be more similar to those prevalent in India than those in the developed countries which at present almost fully monopolise the world export market in railway equipment. While some beginning has now been made in exporting some equipment, more as a flag-showing operation, what is necessary is to think of the production of railway equipment in India as a major export-oriented engineering industry. If this is to be done, the approach to research and development as well as to the development and organisation of production units on the Railways will have to undergo major changes. A much larger R and D body, and a bolder and more imaginative approach to personnel recruitment and use, will be necessary. It appears that old fashioned procedures and restrictions as well as unimaginative personnel policies at present create difficulties in such a development.

1.41 The whole approach to RDSO probably needs to undergo a major change, starting with a definite acceptance of Research and Development as a major activity of the Indian Railways. Scientific personnel will have to be specially recruited, developed and provided adequate incentives to stay on in this work. While the use of officers with experience of working in the Railways will be certainly of advantage, what is necessary is to ensure that the potentially research-minded technical officers should not only be carefully selected and brought to RDSO as is attempted to be done today, but there should also be adequate incentives for them to stay on in the research and development work without feeling that their promotional opportunities in such work would be much less than in the operational side of the Railways. The approach to contacts with foreign scientific and producing organisations will have to be more generous and broadminded than is in usual governmental agencies. Every opportunity of permitting the concerned officials to visit producing organisations abroad—such as when large-scale purchase

of equipment is being done, as inspection of such equipment can provide useful opportunities for building up information and contacts—should be used. Perhaps in matters of this kind an approach different from that normal in a government department may be useful, and whatever changes in the form of organisation or delegation of powers are necessary for the purpose need to be fully and speedily accepted.

The Use of Computers

1.42 At present, the Railways have a complex of 13 computers, one each on the Zonal Railways and one each in the Production Units besides the Railway Board Computer. These are second generation IBM 1401 machines which were installed in the 'Sixties'.

1.43 It may be noted that these computers are old and, therefore, are getting obsolete. In fact, the Department of Electronics has already recommended their replacement on a planned basis as, with their advancing age, they will progressively present many maintenance problems.

1.44 It may also be mentioned that, up to now, the role of computers in the management of Railways has been limited. Partly because of the nature of the computers that have been installed, there is no 'on line' 'real time' use made of computers for operational improvements. The main operational use of computers on the Zonal Railways has been for purposes such as keeping track of wagon movement at interchange points on the broad gauge, coaching stock interchanges on the broad gauge and for undertaking periodical rolling stock census. The computers thus merely provide a more efficient method of storing information and keeping it available in a suitable form for periodical checks. In addition to these operational uses, computers are also being used for track accounting, inventory accounting and inventory control, pay-roll accounting and computation of operating and other data. Production Units also have computers which are used for production and inventory control, and also for pay-roll accounting and financial accounting including costing. With all these uses to which computers are put, the available computers are said to be working at near optimum capacity, and this has become a major

constraint on any further use of these computers for data processing.

1.45 The necessity to prepare a comprehensive plan for the use of computers on the Railways has been recognised by the Railway Board. Such a plan has been under preparation through certain Task Forces set up for the purpose. In the meanwhile, the Railway Board also sent a Study Team to visit certain countries and make a report regarding the use of computer systems on foreign railways with special reference to freight operations, passenger seat reservation, and management information systems. The team carried out its studies abroad between April and June, 1979, and submitted a report in August, 1979. This is at present under examination by the Railway Board.

1.46 It would thus be seen that the importance of introducing a more effective computer control system to aid better management and improving operating efficiency in different areas of railway functioning is already understood by the Indian Railways, and the matter has been under study and examination. What perhaps needs to be emphasised is that, in view of the very difficult operating problems faced by the Indian Railways, greater urgency in finalising decisions and implementing them is essential. *Prima facie*, if a proper operational programme for the introduction and effective use of computers is implemented, it is not unlikely that the operational improvements will be such as to make up the investment amount in a few years. It is therefore necessary for all authorities concerned—the Railways' own management, the Planning Commission, *etc.*,—to give far higher priority and inject much greater urgency in the introduction of a new computer system, especially for wagon control. In view of the fact that the shortage of wagons is affecting various sectors of the economy very adversely, the qualitative improvement that a more rational and efficient wagon control would provide to the national economy is an aspect whose value cannot be easily quantified. But it is clear that it may be quite sizeable.* Perhaps, it may not be wrong to suggest that, in any planning for future computer development on the Railways, operational wagon control should receive the highest priority.

*The Study Team—referred to above—has pointed out that Indian Railways have nearly 400,000 units of wagons and 11,000 units of locomotives. If the computerised system can help achieve a reduction of only 10 per cent of wagons holdings, the saving in capital cost alone could be of the order of Rs 400 crores. Connected with this, of course, would also be annual savings on repair and maintenance (approximately Rs. 15 crores) and saving on payment of dividend (approximately Rs 12 crores). Alternatively if, as a result of computerised control of wagon movements, the turn-round time of wagons is reduced by 24 hours, it would mean an additional earning for Railways of about Rs 112 crores. The Study Team has therefore computed that the total investment envisaged by the Study Team for the introduction of a full-scale computerised system in a period of five years for operational control of wagons and passenger reservations of Rs 210 crores, which includes the expenditure on training of different categories personnel so as to ensure appropriate and full use of the computer applications, can be easily recovered within a short time after the system becomes operational.

Traffic Costing

1.47 The need for a proper Costing Organisation on the Railways has been felt for quite some time. The Freight Structure Enquiry Committee 1957, in its Report, had referred to the inadequacy of the cost data and stated that they were greatly handicapped by the non-availability of proper Costing Reports. The World Bank also felt that it would be useful for the Railways to set-up a Traffic Costing Organisation, and at their instance, a Traffic Costing Cell was first introduced in the Railway Board in 1961. The Organisation then consisted of one Joint Director assisted by three Technical Assistants. The strength was later augmented and the number of Technical Assistants was increased.

1.48 This nucleus Organisation first took up the job of costing of goods services. Unit costs were developed by adopting certain *ad hoc* ratios for apportionment of station expenses. These apportionment factors were developed by some studies conducted in 1962. More detailed sample surveys, covering about 2400 stations on the Indian Railways, were conducted in 1968, and new ratios for allocation of common expenses were worked out. Unit Costs based on these ratios were calculated on the basis of the expenditure for 1970-71.

1.49 M/s Davies & Robsons, World Bank Consultants, studied the costing and other related problems on Indian Railways and submitted their Report in September 1969. Among other things, they commented on the inadequate complement of staff in the Traffic Costing Organisation. They suggested the creation of a separate Directorate of traffic costing in the Railway Board's office under the charge of a Director, and also the creation of a Traffic Costing Organisation in each Zonal Railway under the charge of a Junior Administrative Grade Officer. Based on the Report of the Consultants, Traffic Costing Organisations on Zonal Railways were set-up, under the charge of Traffic Costing Officers in the Senior Scale. The strength of the Traffic Costing Organisation in the Railway Board also increased.

1.50 The instructions for division of expenses between goods and coaching services were revised in 1975. In the revised instructions, the technique of regression analysis was used to determine the performance factor which could be used for apportioning the joint expenses between goods and coaching services. The analysis was carried out for different abstracts, and appropriate performance factors for the apportionment of expenses were determined. The ratios for apportionment of expenses have thus been attempted

to be finalised on a more scientific basis, by utilising various statistical methods.

1.51 Besides estimating, Unit Costs, the Railway Board Traffic Costing Organisation has carried out profitability studies on certain selected commodities. These profitability studies have been updated recently. In addition, costing of individual trains such as Rajdhani, Deluxe and other Superfast trains has also been attempted.

1.52 Except for the specific studies on individual trains, the cost analysis made by the Traffic Costing Organisation is on the basis of the fully distributed cost. Separate figures are worked out for broad gauge and metre gauge, as well as for individual zones. Since the cost analyses being made at present are averages of disparate figures, representing costs in different areas and varying operating conditions like density of traffic, gradients, traction, etc., not much use can be made of them for managerial decision making. To make the cost analysis more meaningful for utilisation in management control, planning and decision making, it is necessary to carry out cost analyses in a far more disaggregated manner. In fact, it would be more useful if costing of major cost centres such as divisions, important stations, loco sheds, Carriage & Wagon maintenance depots, etc., are carried out individually. This would help in providing meaningful feed back to the managers who actually supervise the work at these cost centres. To do this, it would be necessary to suitably augment the traffic costing organisation in the Railways.

1.53 In fact it would be necessary to set-up units in each division, and also provide staff at the important cost centres so that the basic information could be collected and relayed to the Divisional Costing Organisation in the quickest possible time. Once costing of major cost centres is carried out successfully, it may be possible to develop some sort of 'Standard' or 'Appropriate' cost. Since many variables go into the production of transport, it will be difficult to work out the 'Standard' cost of, say, carrying one GTKM or one passenger km. But it may be possible to develop 'Standard' cost of some important functions, for example, maintenance of the permanent way on the trunk route, on the main line and branch lines, etc., or maintenance of a main line electric locomotive, diesel locomotive, etc. These 'Standard' costs could be used by Managers in the field to judge the performance of maintenance sheds, etc.

1.54 Developing figures of such 'Standard' cost could serve the following objectives:—

- (i) To develop reliable performance measurements for day to day operations and long range planning.

- (ii) The classification of data by functions to promptly and accurately provide results against predetermined standards.
- (iii) To establish guidelines for before-the-fact pricing and financial control.

1.55 Practical use of the cost reports could be made by field managers, once items of controllable costs have been identified, and a standard provided for comparison.

1.56 The need for proper traffic costing, as also the need for continually refining the techniques is already appreciated in the Railways. But the process of improving costing techniques should be speeded up and efforts should be made to make costing reports available quickly enough after the event, to make it useful for the field managers. The quality of the field staff may have to be improved and their numbers augmented to ensure that field data are adequately and regularly collected. Full use should be made of the data processing facilities, presently available with the Railways and long term planning should be initiated keeping in mind the augmentation of E.D.P. facilities which are envisaged. Once cost analyses for major cost centres are available for current periods, their utility will be appreciated and cost reports will be used for the purpose for which they are made.

1.57 The direction to traffic costing is at present given by a Cell located in the Directorate of Economics & Statistics. The peculiarity about this Directorate is that it has on its staff hardly any person specially qualified in economics and statistics. There are traffic officers and accounts officers, which is as it should be, but their knowledge needs to be supplemented by statistical and economic expertise. It is also necessary to have more expertise in cost accounting techniques. For this purpose, it may be useful to provide both incentives and facilities for training in cost accountancy for the Railway Accounts Service officers; and it may also be necessary in the earlier stages to induct laterally some expertise from outside.

1.58 What is essential is to create a higher direction which combines knowledge of railway working with expertise in statistics, economics and costing; and also ensure that such expertise, once created, is maintained in the Cell long enough to establish a new methodology on a sound footing. The experience of the costing studies recently undertaken by RITES for the Pande Committee shows that Railway officials, together with other necessary experts, and given the proper field support and guidance, can develop appropriate analysis in this field.

Economics & Management

1.59 The use of economic analysis is considered to be an essential part of the aids to

higher management in all modern production organisations. One would have expected that a large undertaking like the Indian Railways, facing various problems relating to the tariff policies and their impact on the national economy as well as problems of future planning in keeping with the overall perspective of the national development, would have a very large and effective set up for economic analysis. While many other Government Ministries and Departments have developed major units for such work, the Ministry of Railways appears, somehow, to have lagged behind in this respect. The Economic Unit of the Railway Board was established in 1966 following a recommendation of the World Bank which suggested the creation of suitable machinery to undertake an economic evaluation of railway investments, and to render advice on matters such as traffic forecasting, timing and priority of specific investments, etc. The Unit is headed by an Economic Advisor who is an economist from the Indian Economic Service. In addition, the Unit consists of officers not all of whom are trained economists. An examination of the work done by the Economic Unit in recent years suggests that the scope of its activities is largely confined to project appraisal. It does not appear that the Economic Unit is associated with matters such as tariff policy, investment and other developmental planning, costing analysis, etc. This is obviously inappropriate. For an organisation of the magnitude of Indian Railways, with the very difficult and complex problems faced by them, and also in view of the very close relationship between railway policies and development and the functioning of the national economy as a whole, it is essential that the railway organisation should have at its disposal a well organised Unit for economic analysis and advice. This would involve not only strengthening of the Economic Unit of the Railway Board and the creation of small Economic Cells in the Zonal Railways and the Production Units, but also the regular association of the Economic Unit in important aspects of policy analysis.

1.60 It may also be necessary to associate non-official economic expertise with the Railways' functioning much more systematically than in the past. The few University Departments in Transport Economics that exist in the country have hardly any association with the Indian Railways. Building up such association on a systematic basis is bound to be naturally beneficial. Railways might be able to get studies organised through academic agencies periodically which they may not otherwise be able to do; and University Departments in turn will be better

equipped through developing a closer understanding of the working of Indian Railways. In fact, a similar approach needs to be taken regarding closer association of non-official experts in technological as well as management studies. The Indian Institutes of Management and Indian Institutes of Technology as well as other expert and research organisations should be more closely associated in various ways, both through assigning to them special studies and through associating their expertise with various consultative and other bodies of the Indian Railways. While this is being done to some extent on the technological side, much more needs to be done there as well as in fields of economics and management.

Inadequate Attention to Railway Users

1.61 One point on which organisations representing business interests as well as passengers laid considerable emphasis in the discussions with them was the inadequate importance given to the interests of railway users resulting from the semi-monopoly conditions that prevail. While the interests of passengers at least receive some attention especially because of Parliamentary control, the interests of the users of goods services apparently many times go by default. Some indication of the inadequate attention given to these users—who after all provide the major part of the railway revenues and also account for an important sector of the national economy—are: the inadequate development of weighing facilities; the failure to develop new terminals and related facilities especially for goods services; and the largely one-sided conditions of the contracts between the Railways and the users of their freight services. Even public sector undertakings have pointed out to us that the Railways treat them on a 'take it or leave it' basis and that the position regarding settlement of claims in cases of damage and pilferage leaves much to be desired. The inadequacy of the Railway services when it comes to deal with smaller packages, especially when early delivery is of importance, was brought home to us by the fact that even traction motors required by Railways themselves are many times sent by BHEL to them by road so as to ensure timely delivery; while it is true that not all factors affecting railway efficiency are within the Railways' control, it cannot be denied that Railway officials some times tend to show inadequate awareness of the fact that it is the users who ultimately pay for their jobs. The shortages, the semi-monopoly conditions and the bureaucratisation many times lead to a situation where the Railway official does not show enough consciousness regarding his obligations to the public.

Passenger and Employee Amenities

1.62 One of the difficulties that one hears about wherever one discusses questions relating to facilities for railway employees as well as for passengers is that the availability of funds is a great bottleneck. It is only natural that, with the resources always being inadequate to meet various demands on them, cuts should be imposed on expenditure that can be postponed and which is not immediately and directly related to improving traffic facilities. What many times tends to be ignored is that prolonged neglect of such matters leads to a feeling of antipathy and indifference among employees, and lack of good relations between the users and the Railways. A method has to be found by which the matter can be dealt with in a somewhat better manner.

Additional Local Resources

1.63 One way of meeting the problem would be to provide an incentive to the local management to increase earnings from sources which are basically local in character. This would include revenue from facilities like retiring rooms, rental from shops and licence fees from hawkers, parking fees, and advertisement revenue of different kinds. At present, the local managements have no special incentive or interest in improving revenues from these sources. Such revenues can be increased significantly, especially at the more important stations etc., if the local managements go about the task with imagination and enthusiasm, but they will do so only if there is some incentive for them to do so.

1.64 Such an incentive can perhaps be provided if the revenues and expenditure relating to some of these items can be separated and a system devised by which the profits made from such services could be put in a fund available for improving passenger facilities as well as staff amenities on the basis of decisions left to be taken by local managements. This would probably require some legal and procedural changes which will enable separation of the finances relating to these activities. But this may well be worth doing as it may create healthy competition among different railway stations and among different divisions. Such competition would be more real than competition merely for a token prize such as for the cleanest station, etc. The Station Superintendent or Station Master, the Area Officer or the Divisional Manager would not only find that he is responsible for these matters; he would be conscious that if he manages this matter well, he would be authorised to incur expenditure and improve facilities; and this may provide an important incentive.

1.65 On many large and middle-sized stations as well as stations which have pilgrim traffic, imaginative use of advertisement space can yield

considerable revenues. If necessary, use can be made of specialised services of advertising agencies etc. in this matter. The expenditure which the Railways themselves may have to incur will be small. Thus, the net revenue from this source at least in the more populous places can be substantial and this could provide a useful basis for some improvement in passenger amenities as well as employee facilities.

1.66 The situation about railway retiring rooms in many of the more important stations is such that, at least in the busy seasons, the occupancy ratio in the retiring rooms is quite high. In fact, on many days there is no space available. In certain important commercial and trading centres, railway retiring rooms are very convenient as they are located in the heart of the city and thus save passengers from having to use special transport for carrying their luggage to and from a hotel. There is also considerable demand for the dormitory type of facilities which have been created at some of the more important stations. It should be possible for the Railways to construct retiring rooms either on vacant space or as a part of remodelling of the stations in such a manner that they can become profitable propositions. There is nothing wrong with charging commercially appropriate rates for facilities of this kind. The very ordinary and poor passengers cannot at the present state of our economic development afford even dormitory accommodation. (They are content with resting in the waiting halls). The charges for dormitory accommodation should therefore cover all costs including a proper return on the capital investment. When it comes to retiring rooms proper, rates for them should be related to—may be a little lower than—the charges of good hotels in nearby localities. This of course involves the maintenance of these facilities in a proper way. This again would be facilitated if this is left to be organised and managed locally.

1.67 A similar approach should pay good dividends in the creation of facilities such as shops, kiosks and licensed vendors and trolley carts. Carefully and properly exploited, these sources should produce handsome returns which can also add to the funds available for facilities and amenities. Some of the amenities for passengers that cry out for immediate attention are those for cool-drinking water, for waiting rooms and waiting halls, for toilets and washing facilities etc. The number of passengers using some of the stations has grown enormously while the facilities continue to be inadequate.*

1.68 The very fact that the number of passengers using the stations has increased provides the potential for advertisement revenue; and so also the potential for revenue from licences who are

given facilities to open shops, kiosks etc. It should therefore be possible to tap the sources in an efficient manner and increase the facilities. The income from such sources should be large enough to meet some of the investment, even on a commercial basis.

Goods Sheds

1.69 We have also noticed during our visits that some elementary facilities have not developed adequately when it comes to the railway customers on the goods side. Parcel sheds, goods sheds and counters continue to be old-fashioned, congested and dirty. There is an inadequate number of fans, and poor facilities for drinking water as well as resting for the waiting agents etc. The Railway staff doing goods work also cannot put in their best in surroundings which are so uncongenial. Facilities such as good lighting, almirahs to keep records, aids like calculators can improve morale and increase efficiency significantly. We have also seen that a number of old station buildings have remained unimproved for long years while the number of staff and the quantum of traffic have increased rapidly. There is no space for all the staff to be properly seated, for all the required furniture, almirahs etc. to be properly placed and for everyone to work efficiently. We have even observed station rooms in the congested suburbs of Calcutta where there was inadequate space for storing passenger tickets. It is high time that these matters receive early attention.

Minimum Funds Irrespective of Surplus

1.70 A major difficulty faced by the Railways is that, because it is an old organisation, certain elementary facilities already exist; and therefore there is a feeling that somehow these facilities can do for some more time. While there is nothing wrong with stretching resources to the utmost in a poor country like ours, in the case of many railway facilities this has now begun rapidly to lead to demoralisation among staff and hostility among users. It is time norms of facilities related to traffic, number of employees etc. are rigidly observed and funds provided for these. Enough examples have been given as recently as in 1977-78 in the Estimates Committee's Report on Passenger Amenities. These make it clear that the situation, going from bad to worse and early steps for improving them are essential.

1.71 One of the difficulties with the Railways being a department of the Government is that the approach to expenditure tends to be patterned on that taken in respect of normal Government Departments which are not commercial in character. Whether it comes to creating more posts, or providing facilities for staff, the normal

*Even at a station like Pune, it may be observed that old type latrines continue to create a stink in the station.

tendency is to apply the same general rule of not permitting any expansion as in non-commercial spending departments. This overlooks the important point that money usefully spent in a commercial organisation like the Railways can lead to improved earnings, either through better morale of the staff or through increased cooperation from the railway users.

Development Fund

1.72 In this context the question about which of these expenditure should be treated as unproductive expenditure and met only from Development Fund also assumes some importance. Expenditure on works of amenities for passengers and other rail users is met from the Development Fund in pursuance of the recommendations of the Railway Convention Committee of 1949. The list of works the cost of which has to be met from the Development Fund is quite large, while the availability of moneys in the Development Fund depends upon the overall financial results of the Railways. In recent years, as Railways have not been making a profit, moneys from the Development Fund cannot be provided adequately for carrying out even essential works. The Railways have to borrow from the Central Exchequer so that at least some works can be carried out. The result is that the amounts available depend upon the overall financial position of the Government, and this has made it impossible for certain essential railway amenities to be provided for the passengers and other users. The Planning Commission has usually taken the line that, if funds are not available even for productive works, it is not possible to make funds available for passenger amenities. This point has been substantially brought out in the Estimates Committee's Report on passenger amenities.*

1.73 It has already been suggested above that one method of dealing with this question would be to permit stations etc. to exploit the local potential or earning revenues and utilise the surplus for providing amenities to the passengers as well as the staff. Another method can be that the amount to be credited to the Development Fund should not be related to the surplus made by the Railways. The amounts to be spent on passenger amenities which are essential should be treated as a necessary part of Railway expenditure. A certain percentage of traffic earnings should be added to the Development Fund irrespective of whether the Railways make a loss or a profit. Thus, a certain amount would automatically be available for passenger and other users' amenities. Moreover, the amount available for each area, Division or major Station may be related to some extent to its traffic earnings, especially on the passenger side; the traffic earnings in a

particular locality may indicate the necessity of passenger amenities in that locality. On the goods side, this may not necessarily be so, and other criteria such as transit traffic, unloading traffic, may also have significance.

1.74 It is difficult to understand why the provision of essential facilities such as cool water supply, an adequate number of toilets and bath-rooms, waiting halls, and benches for resting, or covered sheds and fans should depend on whether the Railways make surpluses or not. These should be treated as essential costs of providing services to passengers and other users and, therefore, should be a regular charge on Revenue. Anything over and above such a minimum allotment alone should depend upon the availability of a surplus.

Exploiting Potential Revenue-earning Assets

1.75 As indicated above, it should be possible for the Railways to use some of their assets such as land and especially air space in a more commercial way so as to add to their revenues. Land adjoining the railway track is already being given on short leases for farming purposes. The use of such land for earning advertisement revenue can also be more vigorously pursued. A much more ambitious possibility that has already received some attention in the past—but without any tangible result—is the use of very valuable air space on Railway land in the metropolitan areas. Railways being one of the oldest public sector organisations, they own some very good real estate in large metropolitan cities. An imaginative programme for developing and utilising such properties can yield good revenue to the Railways. In working out such plans, care will obviously have to be taken to avoid any legal pitfalls. One way of doing this would be to develop the land in such a way that the new constructions could partly serve the railway purpose and partly be leased out on a commercial basis. As these possibilities are especially large in metropolitan areas where the need for amenities and also for supplementing Railway revenues is the greatest, imaginative working out of projects for this purpose should yield excellent results. There is no reason why the investment funds required for self financing projects cannot be raised on a commercial basis. It should be possible for the Planning Commission and the Ministry of Finance to permit such essentially local commercial investments to be taken up outside the Plan, as the total investments involved are not very large. Appropriate legal and administrative procedures including delegation of powers will have to be worked out for this purpose. Without going into details, we may emphasize that such flexible approach in matters

*pp. 18—23 of the Tenth Report of the Estimates Committee (1977-78), Sixth Lok Sabha, on Ministry of Railways Passenger Amenities.

in this kind will create considerable interest among Railway staff in developing and exploiting such potential revenue—earning possibilities, and utilising the proceeds for better amenities for passengers as well as employees. Such improvement could also improve the attitude of passengers and employees towards the Railway Administration, and this can be of great assistance both in improving Railway revenues and in creating better atmosphere for a more rational traffic policy.

Provision of Unreserved Second Class Coaches on Trains

1.76 A point that has been stressed in many representations as well as in discussions we have had regarding passenger services has been that some provision for passengers who fail to have reserved accommodation but who for one reason or another badly need to travel should be made. This is at present not permitted on trains—especially some superfast ones—where all accommodation is reserved. A theoretically attractive solution suggested but found impracticable is to have a certain proportion of tickets being sold one hour or so before the train timing at a specially enhanced fare. The practical difficulty would be that, in the rush season, the number of intending passengers would far exceed the number of such special seats, while in other seasons there might not be enough takers for such special fares. A solution that is suggested by some Railway Administrations and which may, on balance, be found practicable is to provide at least one unreserved Second Class coach on almost every train which will ensure that passengers who badly need to travel and have not been able to secure reserved accommodation are able to travel even though they may have to travel in discomfort. It is true that this will lead to complaints about overcrowding in this coach. At the same time, it is likely to reduce the considerable hardship that is involved at present in a situation where there is no legitimate way in which such a passenger can travel when all reservations have supposedly been exhausted.

Reducing Demand for Passenger Services

1.77 One of the aspects which have come out quite clearly from published railway statistics as well as our passenger surveys is the rapidly increasing demand for passenger services on the Railways. This demand has been increasing at a pace not only higher than the rate of growth in population but also at a rate higher than the growth in GNP. To some extent, modernisation, urbanisation and a certain psychological attitude of Indian people to travel may also be responsible for this phenomenon. One cannot say that there is anything wrong with such a preference on the part of the people, and to the extent feasible, the Railways may obviously attempt to

develop their services and facilities so as to cater to the demand in the best possible manner. It cannot however be ignored that railway services being one of the very capital intensive services, a disproportionate share of national investment will be required to satisfy the demand for passenger services adequately. This may neither be possible in the near future, nor might it be considered as the best use of the scarce investment resources of the country. While there is good reason to insist upon increasing investments so as to satisfy the demand which is paying its cost including the cost of servicing the capital investments, it can certainly be said that there is no reason to encourage the demand for passenger services by special means. One method of ensuring this is to have a system of passenger tariffs which is such that, by and large, all passenger services are charged prices which at least cover their direct costs, and usually cover full costs, including an appropriate return on capital investments. We have already attempted to suggest this through our recommendations regarding passenger fares.

1.78 One other suggestion which we might incidentally put forward in this connection is that employers both in the private and public sectors need not, at this stage of our economic development and with the obvious and persistent shortage of passenger services, specially encourage railway travel by their employees. The leave travel concession granted by Central and State Governments, and also increasingly granted by approved employers, is provided on terms which leave no option to the employees. Either he enjoys the travel concession or, if he prefers not to travel, he loses the benefit. No option is provided to him to enjoy something else instead. While there may be a case for people to be encouraged to travel both for ensuring that they get a good holiday to refresh themselves in a period of leave and for helping to create some national integration, it does not appear to be rational to provide no option to the employees in this respect. An employee may prefer to pursue some other hobby or interest instead of travelling; this may be no less healthy and no less worthy from the employee's point of view; but he gets no such option. As a matter of fact, the value of the benefit in terms of cost to the employee increases the longer the distance the employee travels. There appears to be no economic rationale behind this. This practice is specially to be questioned when there is an increasing difficulty in providing more passenger services and investment for adequately providing such services is bound to remain short. It would therefore be useful if Government as well as other employers give thought to this matter and decide to provide a cash benefit as an option to leave travel and similar concessions. Perhaps something similar may be considered for Railway employees also. The exact amount of optional

cash benefit can be worked out and such an option provided. This may provide some relief from the continuously increasing demand which the Railways may find it difficult to provide.

Social Burdens on Indian Railways

1.79 On the recommendations of the Railway Convention Committee (1973), the Ministry of Railways had appointed a "High Level Committee on Social Burdens on Indian Railways" in January 1978. It consisted of officials from the Ministry of Railways, the Ministry of Finance, the Ministry of Shipping and Transport, the Railway Audit Organisation and the Planning Commission. The Committee was expected to "review the entire question of subsidising the Railways so as to cover unavoidable losses on passenger traffic, suburban as well as non-suburban, unremunerative branch lines, and goods traffic, and to work out a practicable financial arrangement taking into consideration similar practice obtaining on other foreign Railways". The Committee submitted its Report in January, 1979. In November, 1979, the Report of the Committee was forwarded by the Railway Board to us "for consideration, before they (the RTEC) submit their Final Report to the Ministry of Railways."

1.80 While formulating our major proposals for rationalisation and revision of fare and freight structure on the Indian Railways, we have taken note of the Report submitted by the Committee on Social Burdens, and especially the recommendations made by it regarding season ticket fares, short distance passenger fares, concessional fares and freight charges for certain commodities. Certain other recommendations of the Committee such as those relating to uneconomic branch lines, charges for military and postal traffic and miscellaneous services such as ferries are being dealt with by us in this Report. The views expressed by that Committee have been taken into account by us in dealing with these various aspects. The specific recommendations made on different aspects by the Committee along with our views on these are dealt with in the following paragraphs.

1.81 The items customarily enumerated as forming Social Burdens have been enumerated by the Committee on Social Burdens and are indicated in Chapter II of our Main Report.* We have taken the view that all the items mentioned therein do not qualify for consideration as Social Burdens on the Railways.

1.82 The recommendations of that Committee are prefaced with the following policy principles :—

"The Committee are of the view that there is no case at all on economic or other grounds for giving subsidies as these lead to distortions in the economic sense. However, if the Government at all decide that in regard to certain items subsidy should be given then such subsidies should be given explicitly and not indirectly. Normally if the Ministry of Railways are permitted freedom in enhancing their freight rates and fares the question of subsidy would normally not arise, either direct or indirect. However, if there is a specific Government decision taken at the highest level and as a result of the same the Railways are stopped from exercising their freedom for enhancing their freights and fares they should be entitled to a direct subsidy to compensate them for the losses which they would incur because of the Government's decision which does not permit them to enhance their freight and fares upto the level to cover their cost."**

The representative of the Ministry of Finance, however, did not agree with the idea of granting subsidies to the Railways from the General Revenue.

1.83 We have already dealt with this matter and stated our views in Chapter VI of the Main Report. The general principle followed by us has been that no stream of Railway services should be priced below at least the direct cost including payment of dividend to the General Revenues.

1.84 We have also made recommendations regarding classification of goods and differential charges for various types of passenger services on a basis which appeared to us to be related to the value of service principle, subject to fairness and economic propriety. It is of course unavoidable for a large transport system such as that of the Indian Railways that there would be minor pockets of traffic—regionwise or service-wise—which may be cross-subsidised even in respect of their direct costs. We have however emphasised the importance of improving the Costing Organisation and analysis so that, at least where the margin between revenues and direct costs is significant, the fact would be brought to the authorities' notice very early, and the question regarding the future of such sections examined. To the extent the Government accepts our main recommendations, there would be only a few services which would operate in such a manner that even their direct costs will not be met by the revenues earned by them.

*Para 2-61 of the Main Report.

**The Report of the High Level Committee on Social Burdens, Ministry of Railways, Government of India, New Delhi, Jan. 1979, p. 40.

1.85 In this Report itself, while discussing the uneconomic branch lines (para 1.103) we have suggested that specific studies should be undertaken in the case of major loss-making sections both for better computation of the exact losses and for an examination of alternative possibilities, either to close down the lines or for making it less uneconomic. We have however suggested that, wherever, for special reasons, the Central or State Governments think it essential that a highly uneconomic railway section should continue to operate a subsidy based on the estimated difference between the operating costs and the revenues should be made available to the Railways at the cost of the Central or State Exchequer. We have also recommended that special consideration should be shown to certain areas such as those in the North-Eastern Region of the country in respect of the tariffs to be charged but that, as in the case of some transport subsidies which are already in existence for this area, the cost of such concessions should be borne by the General Exchequer. In respect of metropolitan transport, while we have recommended appropriate increases in the season tickets so as to make the working of the suburban railway systems viable, we have pointed that, for the further development of these systems which is very essential, large investments will be required resulting in very high marginal costs. We have, therefore, recommended that the amounts that are made available for capital investment in future in such metropolitan transport systems should be exempted from the payment of dividends so that the burden on the Railways from the construction, maintenance and operation of such lines get lightened. Losses which the Central Exchequer may have to sustain as a result of such exemption may be taken into account by the Finance Commission when it periodically examine Centre/State Financial relations. It may be noted that these views of our Committee are in line with those of the Committee on Social Burdens.

1.86 We note that an official from the Ministry of Finance, who was a member of this Committee, had expressed a difference of opinion from the views of the majority in this respect. "While considering any such question," he pointed out while dealing with the question of granting subsidies from the General Exchequer for covering railway deficits on uneconomic services, "it is to be borne in mind that it may be

inappropriate to finance from general revenues losses incurred for benefiting a section of the society. While I agree on theoretical considerations that it would not be correct to encourage cross subsidisation and in the case of Railways at present this is of limited applicability yet to the extent possible it is necessary that the Railways take care of part of the losses by such an operation as a practical measure. The practice of cross subsidization is not something new to the Railways and is common to many other public sector undertakings e.g. Electricity Boards which supply power to the Agriculture sector at a highly subsidised rate and then try to make up part of it by suitable adjustment in the tariff of other consumers.*

1.87 It may be mentioned in this connection that the Working Group on Transport Pricing, Taxation and Subsidy appointed by the National Transport Policy Committee (with Dr. R. M. Honavar of the Ministry of Finance as Chairman) has recommended that where, for any reason, subsidy through lower tariffs is maintained as a deliberate decision of Government, "instead of seeking to make it up (by higher tariffs) on other (commodities) the Government, should bear the burden explicitly. This would have the advantage that other freight rates will not go up and the community would be aware of the implications of the policy of subsidisation".**

This approach of the Working Group is similar to the approach suggested by the Committee on Social Burdens and also the one suggested by us. The argument that the practice of cross subsidisation has prevailed in the past on the Railways, and also prevails in other public sector undertakings, provides no rational justification for the continuation of such a policy. Undue cross subsidisation especially on a major scale has no economic justification and should be removed as early as possible. We therefore suggest that the approach suggested by the Committee on Social Burdens, endorsed by the National Transport Policy Committee and which is in line with our overall recommendations should be accepted by the Government.

Uneconomic Branch Lines

1.88 The problem of uneconomic branch lines has been plaguing the Railways for a number of years. No satisfactory solution has yet been

**ibid.*, p. 43.

**Report of the Working Group on Transport Pricing, Taxation and Subsidy, National Transport Policy Committee, Planning, Commission, New Delhi, December 1979, Section 2-18.

In this connection the following recommendations made by the U.S. National Transportation Policy Study Commissions are also of interest :

"When government provides costly facilities, benefits or services, it too should assess charges that recover costs against users and others who benefit. In some cases, such as urban and rural transit and air traffic control, where benefits are widespread, it may be appropriate to assess a general tax to recover federally-incurred costs". Final Report of the U.S. National Transportation Policy Study Commission, *op. cit.*, p. 249.

found. According to the latest estimates, there are 127 uneconomic branch lines, and the total loss suffered on them amounts to above Rs. 21 crores (excluding dividend as capital on these lines is exempted from dividend payment). A number of Committees have gone into the problem, and the Railway Board have on their own also thought of various solutions; but no significant change has so far been achieved.*

1.89 A Committee headed by the then Deputy Minister of Railways—Shri Chaturvedi—examined the problem in 1969. After examining the economics of the working of 77 branch lines, it made a number of recommendations. These included the following :—

- (i) Survey of conversion/extension of lines;
- (ii) Renovation of rolling stock and strengthening of track;
- (iii) Introduction of diesel traction on certain sections;
- (iv) Introduction of diesel rail cars and closing down of certain sections for goods traffic;
- (v) Closing down of certain sections;
- (vi) Provision of greater facilities at stations;
- (vii) Stricter and more constant ticket checking;
- (viii) Drive to attract goods traffic
- (ix) Better rail-road coordination
- (x) Enhancement of freight rates on N.G. sections.

1.90 Most of the above recommendations were made with a view to increasing the earnings on losing lines so as to make them remunerative. Only in a few cases was closure suggested. Most of the suggestions have been accepted by the Railway Board and, in some cases, attempts have been made to improve the working of the unremunerative lines so as to make them paying. The results have however not been very successful, and a large number of lines are said to run at loss.

1.91 The Railway Convention Committee, 1973, had suggested that the Railway Board should consider the closure of unremunerative lines wherever adequate alternative modes of cheaper transport existed and such closure would not adversely affect the public interest including any important economic activity of the area. It

was also recommended that the Railways should identify the branch lines which are marginally unremunerative and could be made economically viable with minimum investments, and take concerted measures in close coordination with the State Governments, trade and industry to improve the financial results.** “So far as the other branch lines are concerned”, the RCC had noted “the State Governments are averse to the closure of even those lines which do not serve any purpose. The Committee consider that if such lines are to be continued indefinitely in spite of recurring losses, and with no possibility of their becoming viable in the near future, the only alternative is that the authorities, who desire these lines to be run, should share with the Railways the unavoidable losses It is only fair and equitable that the State Governments who are averse to closure of uneconomic branch lines, should come forward to meet the losses.”

1.92 The National Transport Policy Committee appointed a Working Group on New Lines. This Group@ also went into the future of existing unremunerative railway lines. They recommended that efforts must be made to reduce the cost of operations on such lines, and other technical improvements like introduction of diesel or electric traction, elimination of crossing stations, and reduction in the number of staff on each station should be attempted to make the operation of the lines economic. They pointed out that the salvage value of dismantled assets would be very small and, only in cases where a detailed examination indicates that it would be impossible to eliminate the operating losses by the above methods, dismantlement of such lines should be considered.

1.93 Regarding the policy on new lines, they further opined that the traditional method of working out the financial viability of new lines should not be applied while working out the return on lines meant for opening up new areas. They suggested that instead of only a financial analysis, a social cost-benefit analysis should be made, and a lower rate of return should also be thought of as acceptable. They appear to be of the opinion that shutting down of unremunerative branch lines would by itself not be an adequate solution.

1.94 The National Transport Policy Committee itself has opined that, in the case of the 126 branch lines identified as uneconomic, the general consensus is in favour of closing them if transport needs of the area can be adequately

*For a summary of the various recommendations, etc. see, “Report of the High Level Committee on Social Burdens”, *op. cit.*, paras 3·25 to 3·37.

***ibid.*

@ Report of the Working Group on New Railway Lines, National Transport Policy Committee, Planning Commission, Government of India—Mimeographed.

+Report of the National Transport Policy Committee, *op. cit.* para 9·26.

met by road services. This is because, in that Committee's view, such lines "act as a drag on financial viability of Railways". The only exception suggested by them is of lines on broad and metre gauges "which in the form of short spurs may serve as alternative routes to relieve congestion by connecting them to suitable points on existing routes either as they are or after conversion".

1.95 It needs to be pointed out that this Committee, when reviewing the policy relating to new lines, has pointed out that a different kind of accounting assessment is necessary when financially appraising the project of a new railway line.[@] Not only have they pointed out that the conventional method of financially appraising a project on the basis of a particular rate of return on capital is not adequate for this purpose, but have further indicated that the discounted cash flow method which is now being used, under which a project is justified on the basis of an annual rate of return which is somewhat higher, needs to be used with caution. This is because "in assessing potential earnings from new lines, the Railways take into account earnings from traffic generated in the system as a whole, but not for (*sic*) benefits that accrue by diverting traffic from longer routes. The point we want to stress is that, while the railways may apparently lose some revenue because of reduction in the distance hauled on a shortened new route, the savings to total transport effort and to the economy are not assessed at all". The Committee has pointed out that, in view of the growing demand for rail transport and inability of the system as at present to haul the traffic, this important aspect cannot be ignored. Unless benefits accruing by diverted traffic are taken into account, the internal rate of return is likely to be underestimated. The Committee has also emphasised that, with the limitations on the Railways' ability to adjust tariffs and costs, the net revenue earned by them may not necessarily indicate the benefits actually accruing to the users. "All this points to the need for applying a wider social cost—benefit criteria frame for appraisal of new railway line projects". The Committee has therefore suggested that there should be a new appraisal framework for these purposes which takes note of the social costs and benefits and not merely the financial losses or benefits calculated on conventional lines.

1.96 The Committee on Social Burdens appointed by the Railways* has however recommended that the Railway Board should address the concerned State Governments indicating that the Railways propose to close down the particular unremunerative lines unless the losses are

made good by the State concerned. If no reply is received within six months, the Railways should go ahead and close the uneconomic branch lines, unless the loss is proposed to be made good by the Central Exchequer.

1.97 Since all these years, attempts to bring the States to agree to the closure of such lines have not met with any success, it would perhaps be too optimistic to imagine that such a recommendation would go through easily. The Railway Board's follow-up of the above mentioned recommendations appears to indicate that neither the State Governments, nor the Ministry of Finance representing the General Exchequer, have shown any inclination to share part of the losses on the uneconomic branch lines.

1.98 In our discussions with different interests, we found that, while the Railway authorities were mostly in favour of closing down the uneconomic branch lines, the State Governments opposed any such measure. When it comes especially to the lines which lead to very large losses for the Railways such as the Darjeeling Hill Railway and the Nilgiri Railways, the opposition to their closure is voiced on some specific grounds. It is said that tourists, especially foreign tourists, find this special type of railway attractive and that, therefore, these sections should be maintained even at a loss as a tourist attraction. It is also said that a number of local workers have come to depend upon employment on these railways sections, and that they would be deprived of such employment if the sections are closed down.

1.99 The results of the Passenger Profile Surveys which we carried out on the Darjeeling-New Jalpaiguri section and the Nilgiri Railway show certain interesting features (for details, see Appendix X, Chapter 2—Main Report). On the Darjeeling Railway, only about 33%** passengers were travelling on the payment of full fare, all others travelling on the basis of some concession or the other. Only about 54% stated that they were paying the fare themselves; the remaining had their fares paid or reimbursed by the employers. As many as 87% of the passengers were Indian tourists, and the rest were travelling on business or work. At the particular time the Survey was conducted, apparently there were hardly any foreign tourists. The month when the Survey was carried out being June 1979, this cannot be taken to be an unrepresentative tourist month, suggesting that the number of foreign tourists in any case is not very large. About 40% passengers said that they were travelling by train rather than by road because they were getting some kind of concession, and only about 40% stated

[@]*ibid* para, 9-30.

**op. cit.*, para 3-37.

**All the percentages given here relate to second class passengers.

that they were travelling by railway because of better sightseeing facilities.

1.100 The characteristics of the passengers on the Nilgiri Railway (according to a Survey carried out in October 1979) were somewhat different. Of the Second Class passengers, about 71% stated that they were paying full fares. Of those who were not travelling on a free pass, almost 80% stated that they were themselves paying the fare. About 52% stated that they preferred the railway to the bus because it was more comfortable, 15% because the railway was cheaper, and 12% because it was faster (sic). A question which was put in this Survey regarding the readiness of passengers to pay more fare also elicited an interesting response indicating that the passengers do not mind paying more. It should be stated that the feeling of the local Railway officials was different. Actually, they have been offering competitive fares so as to prevent traffic from going to the buses.

1.101 The results of these Surveys as well as our discussions do not suggest that any significant number of tourists—especially foreign tourists—are attracted because of the existence of special types of railway sections. It is therefore a moot point whether these sections need to be maintained at a very heavy cost to the Railways specially as a tourist attraction. It does not appear as if the tourist traffic on the Railways is large enough to warrant any such conclusion. As regards the employment problem, it is clear that, if a decision is taken to close down particular railway sections, the existing employees will be absorbed elsewhere in the Railways. As regards future employment, if the savings arising out of the closure of such lines are capitalised and made available to the State Governments for developing alternative transport or other infrastructure facilities, they are likely to provide a better basis for future employment and generally for the economic growth of the affected areas. Incurring losses of large magnitudes year after year for keeping a few hundred persons in employment cannot be considered to be a very efficient or economically sound way of avoiding hardship or creating avenues of employment. The future of even such railway lines will have to be examined without depending upon the kind of arguments mentioned above.

1.102 Our Committee, while holding discussions with various State Governments had put forward a suggestion that if the State agree to the closure of such lines in areas where adequate alternative means of public transport were available, the Railway could be asked to provide financial help to further improve such services by sharing expenses on road construction and purchase of buses etc., and also generally to help the development of the affected area, by paying an amount equal to the losses expected to be

incurred over a certain number of years (say, ten). The State Governments did not show much inclination to the closure of any unremunerative lines even on the basis of such financial incentives.

1.103 Since it is futile to expect that the Railways would be able to close down all these lines, either on their own or with the concurrence of the State Governments, or secure any further financial relief from the General Exchequer, the problem may in practice have to be tackled in a different manner. It needs to be realised that the losses that are shown are actually accounting losses. Even if all such branch lines are closed down tomorrow, the net savings would not amount to Rs. 21 crores, which is the extent of the accounting loss as calculated, but would be of much smaller order. In any case, only those lines which are leading to really large losses need to be taken up for early consideration. It would be appropriate if a detailed examination is made of each of such branch lines by Expert Groups, with representatives from the Railways, and the State Government(s) concerned. They should examine the working of each of these lines and, after a proper and detailed costing analysis, work out the real operating losses, and also the amount which the Railways would actually save in case the line is shut down. If these amounts are not found to be very substantial, the Railways may continue to run these lines and try to reduce the losses by improving operations in the manner suggested by the various Committees. Since an element of cross subsidisation between the different gauges and streams of traffic as well as commodities already exists, it would perhaps not be too much if the Railways bore marginal losses on some of the branch lines.

1.104 However, in those cases where the actual losses so worked out are found to be substantial, and alternative means of transport are or can be available, thought should be given both by the Central and the State Governments to the possible closure of such lines. If, for any special reason, a State Government or the Central Government wishes to continue the operation of such lines, it should be prepared to bear the losses, since the Railways which in the last resort means the other railway users—cannot be expected to continue to run such services indefinitely at a loss. If the Central Government is not able to persuade the State Government to agree to the closure, the losses should be borne by the Central Exchequer, and such amounts should be considered as a part of the Central assistance to the State(s) concerned with all its implications.

1.105 Where the Central Government similarly desires for strategic, developmental or any other reason to continue such lines, it should agree that the amount of the loss as calculated

by a joint team as suggested above should be met from the Central General Exchequer. These amounts may be recalculated periodically.

1.106 By associating representatives of the States and the Central Government in the scrutiny of the financial working of the uneconomic branch lines, the legitimacy of the Railways' point of view would perhaps be better established and thus appreciated by the concerned parties. When after an independent examination, it is established that the lines are actually running at a large loss, it is likely that the State/Central Exchequer would not insist on the perpetuation of a circumstance under which Railways have indefinitely to continue to bear losses of such magnitudes.

1.107 Of course, wherever there is considerable political difficulty in closing down a highly unremunerative line, special steps may have to be taken by the Central as well as the State Governments to educate public opinion in favour of such closure, and the Railways should in their own interest help this process by providing an incentive in the manner suggested earlier. If the Railways agree to contribute a substantial amount (by way of a capitalisation of the annual loss)—equal to, say, the annual loss on the unremunerative line multiplied by ten times—for additional transport facilities or any other kind of development in the affected area, it may not be too difficult to persuade the local leadership to agree to a closure of the unremunerative line. As there would be in such a case a definite limit on the future losses to be borne by the Railways on account of such a line, the Railways should have no objection to accepting such a course of action.

1.108 On the other hand, wherever it is found that, for one reason or the other—including the difficulty of having adequate alternative means of transport—it is decided that the railway line must be maintained however uneconomic it may be for at least some time to come, the proper approach would be to examine ways and means by which the losses on the line could be minimised. This may not necessarily take the form of cutting down on existing services and avoiding further capital expenditure. It may well be that investing additional capital by strengthening the track, improving the mode of traction or putting on line new locomotives and better rolling stock, improving signalling and telecommunication facilities or other such methods may improve the economics of the line even though there may still be a net loss. If more efficient services can ensure that the extra revenue will more than cover the extra cost of adding to the services, the losses may well be reduced. All such alternatives should be examined by the Team which we have suggested earlier, and they should come out with specific recommendations on such matters. We assume they will also

examine the possibilities like alternative modes of transport for carrying essential traffic (e.g., ropeways or pipelines), and also whether special rates for particular commodities or particular movements are likely to ensure better use of the traffic facilities that would in any case have to be maintained.

1.109 To summarise, we recommend an approach which would look at the problem of uneconomic branch lines in a pragmatic manner by concentrating on the lines which are leading to really substantial accounting losses, having a detailed examination made of the technical as well as the economic aspects of such lines and working out the best possible solution suited to the specific circumstances of each line. As far as the large number of minor-loss-making lines are concerned, keeping in view the considerable resistance that the proposal to close them meets with, it may not be really worthwhile to spend much time and attention on them. In any case, the total burden on the Railway finances of the losses on the minor loss-making lines is too small for much time and energy to be wasted on the question regarding their closure.

1.110 As a case study of such lines, we have gone in some detail regarding one major uneconomic line, viz., the Nilgiri Railway. A note on this line with some ideas regarding the possible ways of meeting it is given in Annexure 1.3. This will also suggest the ways in which the problems of such lines can be tackled.

1.111 In this context it needs also to be remembered that not all so-called uneconomic branch lines can be or need to be closed down. There are some lines which have become branch lines as a result of historical special circumstances such as the Partition of the Sub-continent in 1947. At the moment, these are branch lines which are hardly used because through railway traffic—and to some extent even trade—between the areas concerned has either not been permitted, or been difficult. But such difficulties may not remain for all times to come. When trade relations improve and through traffic is resumed, such lines may prove to be parts of important railway lines. In the meantime, they may also have some non-economic uses. There should therefore be no question of treating these as uneconomic branch lines to be closed down because of the present—essentially transitional or temporary—difficulties.

New Lines

1.112 A question that is sometimes raised is whether, in view of the very heavy capital costs involved, in the construction of new railway lines, the tariffs on such new lines should not be placed at a higher level than on the lines constructed much earlier when the cost of construction was significantly lower. We have already discussed

the general principles of tariff fixation in our Main Report and it is unnecessary to go over that ground again. Broadly speaking, the approach that we have suggested is that, except for special cases of station to station rates etc., minor variations in costs should not be made the basis of differential tariffs. The railway lines with different traffic potentials and actual traffic are a part of one system and, as in all public utility organisations, some degree of cross subsidisation among them is unavoidable. It is only when certain routes or services fail to meet even their operating costs over a period of time that special questions arise. These have been dealt with in the earlier paragraphs. A further question that is bound to arise is regarding the new lines which, because of their specially heavy costs of construction, may be found not to pay their way at tariff rates which are related to the overall costs for the railway system as a whole.

1.113 As in the case of any public utility and infrastructure type of development, investment in railway capacity is lumpy in character. Because of such technical indivisibility, the potential traffic on a particular section may take time to materialise and, in the meanwhile, the actual traffic may not yield enough revenue to meet the full costs. This is a normal problem in the creation of any new heavy capital asset, especially if such a facility is created as a part of developmental infrastructure. The kind of considerations which the Pande Committee has pointed out, as quoted earlier, are relevant in such a case, and the investment decision will have to be taken on the considerations of social costs and benefits. In this case, normally, it may be much better that the Railways charge tariffs on the new lines equal to those charged on the railway network as a whole, and the Central Government provide a developmental subsidy* for a fixed period of time to make up the difference between the revenues earned by the Railways and the social benefits calculated as accruing to the economy as a whole. Any attempt by the Railways to charge higher tariffs in such cases is likely to postpone the development of the regions which the new line is expected to serve, and thus put off by some years the traffic potential from fully materialising. Specially high tariffs would in such cases defeat the long-term purpose of constructing the new line. Such a tariff policy cannot therefore be recommended in the case of railway lines set up as a part of the essential infrastructure for the development of a region.

1.114 There may however be particular railway lines which are set up as a part of particular industrial, mineral or other such project. They may incidentally also help other development potentials of the region to come to fruition. The main justification for the new railway line to be

set up at least at the particular moment when it is set up would be the given particular project. In such a case, there is no reason why the railway line should not be treated as a part of that project, and the cost of running it borne as a part of its costs. If the railway line is set up and operated by the Indian Railways, the Railways should be permitted to charge special tariffs which would meet the full costs of operating the specially set up line; or a minimum revenue should be generated by the project authorities so that the costs of operation are met. Of course, if it is found that other traffic developments and the Railways can thus manage with normal tariffs, the matter can be considered afresh. But in the case of lines that are set up purely for particular projects, in principle there is nothing wrong with the Railways agreeing to set up such lines and operating them only on the basis of a specific contract which would provide for a special rate of tariffs (with a minimum generated revenue), the rate being such that the full cost of operating the specific line is met by the project authorities. For convenience and to provide an incentive to the Railways to construct and operate the lines most economically and efficiently, the contract may provide for a tariff rate based on a commonly agreed estimate of the capital and operating costs, with a provision for escalation on lines similar to that which we have suggested in our Main Report; but the principle of special tariffs cannot be objected to in such cases. It should be added that, unless the Government decides to the contrary for specific reasons, the costs to be covered should include dividend as well as surplus at the normal rate on the capital invested.

The Necessity for Business like Approach

1.115 Even though the Railways in India were under private sector management for a long time, since 1924 when the management began to be taken over by the Government of India, they have increasingly become departmentalised. Especially in the last thirty years it appears that, whatever commercial and businesslike culture existed on the Railways earlier, has been gradually replaced by departmental and bureaucratic culture. This has its advantages in that there is a greater awareness of the needs of the common people, and the importance of ensuring that the development and operation of the Railways is in keeping with national needs and popular aspirations. At the same time, this has also the unfortunate effect of reducing the emphasis on a businesslike and commercial approach. Various examples of the effects of this change can be cited, and some of these have been already dealt with in earlier sections. An important indication of the declining importance given to the

*At present, the capital invested in new line is exempted from dividend; but this is only a limited subsidy.

businesslike and commercial working of the Railways is the reduced emphasis on the commercial work on the Railways. Thus, it has been pointed out that in the control data reported for regular management vigilance, commercial and earnings data do not receive much attention. Another indication of the inadequate importance given to the commercial aspect is that costing analysis which would provide effective assistance for management control has not been developed so as to enable Managers at different levels—Divisions, Zones and the Railway Board—to take effective timely steps for improving results. Another indication of the same kind is given by the fact that according to the informal understanding about the importance of different aspects of Railway work, marketing receives less importance than commercial work and the latter is treated as being lower in status than operations. The line of promotion to top positions usually lies through operational posts rather than the marketing or commercial posts. At the level of the Railway Board, while there is a Member (Traffic), there is no Member (Commercial). The Member in charge of Traffic is so much burdened with work relating to day-to-day operations that he has hardly time or leisure to look at the commercial aspects of the work. All these are indicators that commercial success does not receive as much importance in the Indian Railways as it should in what is universally accepted to be a commercial undertaking, even though it is a public utility organisation with its implications of certain social responsibilities. This obviously needs to be corrected.

1.116 It is sometimes suggested that the reason why marketing and commercial aspects do not receive much attention at present is that for many years now there has been a shortage of railway services as compared to demand. In such a situation of what in economics is called a sellers' market, commercial and marketing considerations cannot but receive less importance. If it was a private undertaking, there would be an attempt at profiteering. Because it is a public undertaking, tariffs cannot be pitched high with a view to profiteer taking advantage of the sellers' market condition; but there is also no necessity to look for traffic, or to adjust services so as to please the customers. It is said that as soon as this situation changes—as for a short time it changed in 1975-76—there would be renewed emphasis on commercial and marketing aspects.

1.117 There are two aspects of the situation to which we should like to draw attention. The first is that, at least, to some extent, the shortages relating to the availability of the railway services are the result of non-businesslike policies pursued by the Railways whether relating to investment or relating to operations. The failure to charge appropriate tariffs; make necessary investments in new facilities, especially over routes where there is much unsatisfied demand and where investment may pay good returns; inadequate insistence on closing down or otherwise making adjustments in the working of sections which lead to large losses; all these are indications of inadequate emphasis on attaining good financial and economic results.

1.118 This is not necessarily or mainly due to lack of understanding or will; it arises partly from a misplaced emphasis on the social character of the Railway Organisation, overlooking the fact that an undertaking of this magnitude, with such a large public investment involved and with so much in the normal functioning of the national economic system depending upon it, has got to operate essentially as a business undertaking. At least in a poor country like ours, it is not possible to treat the Railways as a public organisation to be largely sustained like educational or health facilities mainly on the basis of resources obtained through the tax method. In this context it may be noted that the general principle behind the pricing policy in many developed countries is that "users should pay the cost generated by their use of the transportation system", but "the degree to which this principle is applied varies considerably from country to country and from mode to mode". Further point emphasised in this context is that exceptions to such a principle "must be openly identified and carefully justified". The main exceptions to this are in the fields of non-railway modes like highways and airways on the one side and urban transit systems on the other. Especially in regard to the latter, there has been a tendency for governments to assume responsibility to provide a basic mobility to all citizens. It has however been stated that many European countries are beginning to move away from a policy "that sees transit as a utility, like police or fire protection, to be provided pervasively and financed by all taxpayers rather than by users or direct beneficiaries".*

*It has been further stated that "European policies have begun to swing back to a more modest set of expectations regarding transit benefits, and a more conservative perspective toward public expenditure for transit. . . . in London, after a few years in which transit fares had become a negligible part of revenues, policy shifted to a philosophy of full cost recovery from the farebox. This objective has not been achieved but the direction of policy is toward fares that recover a greater share of costs. The French Employment Tax to support local transit appears based on identifying employers as major beneficiaries of the transit system." It may be noted in this context that our Committee had suggested a somewhat similar approach to metropolitan transport fares mainly season-tickets in our context—but the Government found it difficult to accept this suggestion. For more information regarding the policies in different countries, see (U.S. National Transportation Policy Study Commission: National Transportation Policies through the year 2000, Washington D.C., June 1970, pp. 72—79.

1.119 There is need to have a full-fledged Member (Commercial) in the Railway Board to attend to the essential commercial aspects of railway working. At present, the Traffic & Commercial Departments have a common cadre of officers. A complaint which has been made to us by officers of various Railways is that posting in the Commercial Department is considered inferior compared to the Operating Department. This is highly unsatisfactory as it is the officers of the Commercial Department who come in direct contact with the public and their morale affects the quality of service rendered to the customers. It has been suggested that it would be useful to have separate cadre for the Commercial Department, officers being posted from the very inception to this Department and taking their chances of promotion etc., in this Department as any other Department. This will add to the prestige and importance of the Commercial Department.

1.120 As we have emphasised in our Main Report, the appropriate policy in India should be to make the Railways financially viable. We have therefore emphasised in commenting on the social burdens which the Railways are supposed to carry that wherever there is a specific decision that the Railways should provide traffic facilities which they will not themselves offer on commercial grounds, they should be compensated for the estimated loss, sustained by them as a result of such decision. The implication of all this is that the Railways should be treated more firmly and emphatically than they have been in the past as a commercial undertaking even though it is a public utility organisation owned by the Government.

Regulation of Tariffs and Services

1.121 The Railways in India were initially constructed in most cases by private companies; and even those which were constructed with government funds were mostly handed over for management to private—foreign—companies. It is only from 1924 that the policy of taking over private railway companies for management by Government was pursued and by the time of Independence practically all railway lines were under the direct management of Government.

1.122 The provisions regarding the regulation of prices for railway services were made under the Indian Railways Act 1890 and have largely remained what they were under conditions which were vastly different. Under Section 29 of the Act, the Central Government is authorised to fix maximum and minimum rates for the whole or any part of a railway, and prescribe the conditions in which such rates will apply. A similar power is given to the Government to fix the rates or any other charges. A complaint that a railway administration is contravening any order in this connection is to be determined by the Central Government itself. The only constraint laid down

in the Act in this connection is that a railway administration "shall not make or give any undue or unreasonable preference or advantage to, or in favour of, any particular person or railway administration, or any particular description of traffic, in any respect whatsoever, or subject any particular person or railway administration or any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever" (Section 28).

1.123 Prior to 1948, the rates charged by railways were subject only to consideration by a Railway Rates Advisory Committee. In 1948, under the Indian Railways Amendment Act 1948, a body called the Railway Rates Tribunal was created. The Tribunal is authorised under the Act to deal with complaints that a railway administration is contravening the provisions of Section 28 as explained above, or is charging for any commodity between two stations a rate which is unreasonable or is levying any other charge which is unreasonable. As individual railway administrations are authorised under present arrangements to prescribe station-to-station rates so as to take care of special situations where, at the normal rates, adequate traffic will not be forthcoming and it is felt that special rates will enable better use to be made of the facilities available on the railways, the Tribunal is authorised to look at complaints regarding such rates. But it is specifically laid down that the Tribunal does not have jurisdiction in respect of the classification or reclassification of any commodity, fixation of wharfage and demurrage charge and conditions attached to such charges and, in general, the scales of charges levied by a railway administration for the carriage of various types of traffic carried by it. It has been provided that the Central Government may make an advisory reference to the Tribunal about such matters and the Tribunal can then make an enquiry and submit its report to the Government. But through its whole history of over thirty years, no such reference has been made by the Government to the Tribunal. Thus, the Railway Rates Tribunal is confined, in respect of rates and charges, to a very minor field and it has many times been stated that there is not enough work for the Tribunal and on the other side there is no regular machinery authorised to look at the rates and charges levied by the Indian Railways and the changes proposed therein. This is a matter that is left entirely to the executive decision of the Government of India.

1.124 It is true that, as the Ministry of Railways is a part of the Government of India, and is therefore subject to control by the Parliament, its policy and work are subject to the general supervision and control of Parliament. There is a Minister of Railways who is, as a member of the Council of Ministers, responsible for Parliament. Railways being a department of Government, no expenditure can be incurred by them without the approval of the Parliament. There

has been a long-standing convention under which the Railways submit a separate budget to Parliament and the Demands for Railways are separately voted. When the budget is presented, the statement of expected revenue has also to be made by the Minister, and this has in recent years usually implied that any changes proposed to be made in different kinds of rates for railway services are also made at the time of the presentation of the budget in Parliament. Criticism in Parliament has sometimes also brought about changes in the proposals regarding rates and charges. For example, the Minister of Railways made a substantive change in the proposals he had initially put forward regarding the season tickets in his speech while presenting the budget for 1977-78, mainly in view of the criticism that was voiced in the Parliament regarding the proposed increases*. It is understood however that there is no legal necessity for Government to obtain Parliament's consent for any changes in rates and charges; these can be effected purely by an executive order; and the Railway Rates Tribunal or any other body has no jurisdiction to enquire into the rates.

1.125 Of course, accountability of Parliament exists in a very real sense and to that extent the working of railways including the services provided by them to different classes of customers and the charges levied are very much subject to Parliamentary scrutiny, subject only to the time and expertise available for the purpose. The Committees of the Parliament, like the Estimates Committee, the Railway Convention Committee and the Public Accounts Committee, do scrutinise the functioning of the Railways. Thus, the Estimates Committee made a full-scale examination of commercial and other cognate matters relating to Indian Railways in 1967 and† submitted a report to the Parliament. Another report on passenger amenities was prepared†† by the Estimates Committee of the 6th Lok Sabha in 1977-78. The Public Accounts Committee of Parliament, after taking note of the Audit Reports presented by the Comptroller and Auditor-General on the audited accounts of Indian Railways, also examines the more important points made and present its report to the Parliament. In addition, the Parliament constitutes from time to time a Railway Convention Committee to advise Parliament on the rate of dividend that Railways should be asked to pay on the Government capital invested in them. As a part of this examination, the Railway Convention Committee also looks at certain matters relating to the Railways, especially financial ones, and makes recommendations.

1.126 There is however no body which is authorised regularly and in an obligatory manner to look at the rates structure of the Indian Railways and to suggest or enforce changes therein. It may be noted in this connection that the first full-scale enquiry into the freight charges levied by the Indian Railways was conducted only in 1956 about a hundred years after the construction of railways in India commenced; and this present Committee is the first full-scale independent enquiry regarding the structure of passenger fares and other coaching tariffs. Thus, the rates prescribed by Railways, which affect probably all citizens of the country and all economic activities to a significant extent, are not regularly and specifically looked at by any independent expert body.

1.127 As regards any complaints that railway users may have about the quality of the services, there are two major instruments available for looking into them. The first is the set up of Railway Users' Consultative Committees organised at different levels. There is a committee at the national level, and there are committees at zonal and divisional levels. Different concerned interests are represented on these committees. The committees meet periodically and discuss various aspects relating to the problems faced by railway-users—both passenger and freight service users—and recommendations are made to the Railways for improving services. Secondly, the Railways being run as a department of Government, Members of Parliament can ask questions regarding various aspects of the working of Railways. This provides an opportunity for complaints of different types of railway-users being aired on the floor of Parliament. Opportunities also arise in other ways such as special debates and debates at the time of the consideration of the Railway Budget when questions relating to the working of the Railways may be discussed. The Committees of Parliament, such as the Estimates Committee, as mentioned earlier, also go into such questions.

1.128 While there is no doubt that the coverage of the Users' Consultative Committees is very wide, it is doubtful whether these Committees are very effective in ensuring that the Users' interests are adequately guarded. The Committees are purely advisory in character and, while the views expressed by the members do receive the attention of the concerned Railway authorities, there is no force or sanction behind their recommendations. Records of the proceedings of these Committees show that the same or similar grievances continue to be aired year after year and

*Something similar also took place again in June, 1980.

†Estimates Committee (1967-68), 10th Report (Fourth Lok Sabha) Ministry of Railways—August 1967.

††Estimates Committee (1977-78) (Sixth Lok Sabha) (10th Report) November 1977.

nothing much happens. It should be added that experience regarding such Consultative Committees elsewhere—e.g., in Great Britain—is not very different. Such Committees cannot therefore be expected to ensure that the user interests are adequately guarded.

1.129 Parliament is a far more effective forum especially because Railways provide a service which affects a very large body of citizens. Members of Parliament cannot but take note of the grievances felt by their constituents; and questions and discussions in Parliament do receive considerable attention from the Railway authorities. The main difficulty here is the very limited time that Parliament can spare for this purpose. Parliamentary Committees including the Consultative Committee for the Ministry of Railways do devote more attention to the users' problems; but a major handicap faced even by such committees is that they have no independent expert advice available to them. It is only rarely that Parliament itself would have among its Members the necessary expertise. Therefore while Members of Parliament may have their fingers on the pulse of the popular feelings and grievances, they may not always be in a position to ascertain whether what the Railways are doing is the best that is possible in the circumstances. The lack of independent expert scrutiny is a major handicap in this context.

1.130 Keeping in view the fact the Committee has been asked to look at the whole structure of freights and other charges and to recommend in respect of any cognate matters modifications (if any) bearing in mind the interests of the common man, the requirements of developing economy, the importance of making the railways financially viable and the possibility of increased operating efficiency, it is only proper that the Committee should look at the question whether there should not be some arrangement by which the structure of rates for railway services and the changes therein should not be subject to an expert examination in some regular manner. We feel emboldened to do this also in view of the mention in the Terms of Reference that we should deal with "any other matters connected with the rationalisation and simplification of the freight and fare structure."

The Situation in Other Countries

1.131 We may briefly mention the experience of other countries in this context and the instrumentalities considered appropriate there. It should be mentioned that in almost all countries some regulation over the tariffs and services of public utilities like the railways is accepted as normal. The exact position regarding the type and degree

of regulation and the instrumentalities adopted of course vary from country to country. To some extent the difference arises according to whether the railways are owned and managed by the State or by private companies. In more recent years, there has also been a tendency to reduce the area of public regulation over railways so as to enable them to operate in a more competitive manner against rival modes of transport such as roadways and airways. But even then, some regulation regarding tariffs and services is usually prevalent in most countries.

1.132 The general principle adopted in most European countries where railways are mostly owned and managed by government agencies is that the user should pay the cost of the service though the degree to which this principle is applied depends on various considerations. In many countries for some decades now it has been observed that passenger services, especially intra-urban ones, cannot pay their way, and these have therefore come to be subsidised in one way or the other. In the United States, even inter-city services are in a similar predicament. The freight services are expected to pay their way a greater degree though, even in their case, the competition faced from roadways being formidable, there has been a tendency to permit greater flexibility to the railways to adopt commercially viable practices. The British Railways for example have been increasingly permitted to work out negotiated rates, and all but a very minor part of the freight traffic is carried at such rates. Because passenger fares are subsidised in many countries, they are much more subject to control by government either through the fixation of maxima or through decisions regarding the principles of passenger tariffs. Thus, in Australia, the State-owned rail system enjoys freedom regarding freight tariffs while passenger tariffs are subject to Government control. In Japan, both freight and passenger tariffs used to be fixed by legislation; but by a recent decision, the Railways are permitted to set their own tariffs subject only to the approval of the Minister of Transport. But this freedom is only confined to increases related to the rate of inflation in wages and commodity prices.*

1.133 In most countries, special principles regarding subsidization of railway services of particular types are adopted so as to subserve special objectives like regional development. Nationally owned and managed railways are in many countries actually operated through specialised agencies like corporations which are somewhat removed from the normal departmental functioning of government, and the regulating powers are then usually vested in the concerned departments. In Great Britain, while the freight tariffs are

*See, *International Railway Journal*, Feb., 1979, p. 28.

largely free of government regulations, the passenger fares are subject to regulations similar to those relating to prices of major commodities and services. Under the Inflation Act of 1973 and the Price Commission Act of 1977, price increases are subject to the approval of a Price Commission; and this Commission, after making investigations into proposals for an increase in passenger fares, may or may not agree to the proposals. The closure of existing services is also subject to government approval. Of course if the railways can prove that an existing line is uneconomic, the Government bears the expenditure required to maintain the line which continues to be operated at government's instance. There are Consumer Councils which have the right to consider fares and charges; but they have no veto power on actual decisions.

1.134 The longest experience in regulating public utility operations, and especially railway tariffs is that of the U.S.A. The Inter-State Commerce Act for guarding the user public against rail road companies was passed in 1887; and the Inter-State Commerce Commission (ICC) established under it has thus had a long history. There is extensive literature regarding the ICC, and it is necessary for us to go into the details of its experience. It should be only mentioned that, while there has been an increasing tendency for the degree of regulation faced by railways to be reduced so as to enable them to operate with greater commercial and competitive freedom, any proposals or changes in freight rates or for closure of existing services are subject to the approval of the ICC. The ICC has an elaborate organisation for making studies regarding the working of the concerned railway systems and the possible impact of the proposed changes on the users and the national economy. While it is an independent commission with a fixed tenure and is therefore expected to be objective and independent in its approach, allegations have been made by Consumer organisations that it has not proved to be as effective an instrument to guard public interest as one would assume it to be*. It has been suggested that cost checks are virtually non-existent, and what little is done by way of verification is done in secret. The main reason alleged for this is the tendency to make political appointments to the ICC. It should also be mentioned that, with the passenger services being

increasingly taken over by AMTRAK, a public sector agency, there is a tendency to deregulate this aspect.

1.135 What one broadly finds is that the approach to railway regulation is gradually changing, mainly because of the impact of the competition from other modes of transport due to which the demand for railway services has been declining, and the finances of railways have been in poor way. In Europe, where the railways have been in many cases State-owned, there has been a tendency to protect railway services from undue competition by other modes of transport; but it has been found that this has not succeeded and the railways have had to face declining demand. In the United States, where there has been no such attempt, railways have suffered even more. Rates of return on investment have not surpassed 3% in more than a decade, and have been even below 2% since 1975. Thus, the U.S. N.T.P.S.C. observed:

“Even if only the capital invested in the previous decade is included annual rates of return are much below those earned in industries of comparable risk. Current rail-road profitability is not adequate to support required capital investment. For the first six months of 1978 average railroad net operating income was only 0.9% of net investment”.†

1.136 In this situation there is a tendency to reduce regulation so as to enable the railways to operate as they think best and become financially viable.†† The increasing realisation of the importance of rail transport resulting from the fuel crisis which has erupted during the last seven years has also resulted in an increasing acceptance of the necessity for more investment in the railway systems. This also implies greater freedom to the railways to operate commercially.

1.137 While taking note of this experience of other countries, it is necessary to remember that the situation in most of these developed countries is far different from what it has been in India. We have never had in India a situation of inadequate demand for railway services. In fact, the demand for passenger services has been continuously and rapidly increasing, and also that for goods services though at a somewhat lower rate. The

*Mr. Ralph Nader in his Foreword to “Ralph Nader's Study Group Report on the Interstate Commerce Commission and Transportation” Crossman Publishers, New York, 1970.

†National Transportation Policy Study Commission (USA), National Transportation Policies through the year 2000, Final Report June 1979, Washington D.C., p. 180. This document gives some most upto-date information about transportation activity as well as regulating instruments in the United States, and in a Summary form about other countries.

††Regarding rate regulation the NTPSC recommended that “carriers should possess the right to raise or lower specific rates within an expanding zone of reasonableness without approval. Congress should define the zone, and as the zone expands each year, complete pricing freedom eventually will be achieved. Review of price changes within the zone should be made only when there is a complaint, and the burden of proof should be on the complainant. All rates within the zone would be subject to improved anti-trust laws. Rates outside the zone would be subject to investigation and suspension as today.” (*ibid*, p. 250).

dominant position of the Railways in the transportation field has therefore never come into question in India unlike in these countries. And even in these countries, independent regulation by some agency different from that operating the services is usually accepted as appropriate. This is so in a largely private sector oriented economy like the United States and also in a welfare oriented economy such as the United Kingdom.

1.138 Another lesson that is apparently arising out of the experience in developed countries is that problems relating to railways can only be dealt with as part of a policy regarding all modes of transport. In the United States, it appears that there is increasing realisation that attempting to control railways—while other modes of transport remain largely uncontrolled and substantially, though indirectly, subsidised—is a self-defeating policy. What is being increasingly emphasised is that the transportation problem has to be dealt with as an integral problem together with related problems such as those regarding future energy policy, air and noise pollution, crowded cities etc.* This approach has also been emphasised in the recent Report of the National Transport Policy Committee.

An Agency for Regulating Railway Rates

1.139 While it is not necessary for us to go into the details of the matter, our examination of the whole problem definitely suggests that some regular machinery to look at the rates charged by Railways for different streams of traffic needs to be set up. The history of the changes in fares and freight rates which we have briefly outlined in Chapters VII and XIII of our Main Report indicates how the changes effected in most cases have been proposed to meet immediate budgetary problems, but without a full-scale examination of the effect of these changes on the overall structure of charges, the relative incidence on different services, and the possible impact on the users as well as on the economy as a whole. The fact that no independent examination of such changes was obligatory has resulted in many cases in the changes finally resulting in a wayward structure of rates. The fact that Railway finances have been permitted to suffer for a long time because of the inadequate increases in rates is also, to some extent, due to the fact that the rates are made purely by executive decision and there is no continuous expert examination of the whole rate structure. If there was an independent expert body which was authorised to examine the railway rates, at the instance of the Government of India or of users, it is likely that a more rational policy regarding railway rates will prevail. Because railways inevitably provide a large

number of services with joint costs, the question of cross subsidisation is always an important one; and the propriety of this cross subsidisation cannot be fully examined unless costing is organised in a scientific manner. While the situation regarding costing in the Indian Railways today is far better than what it was ten years back, it would not be wrong to say that there is both considerable scope and a definite necessity to improve matters in this respect speedily, and we have given earlier a few suggestions for consideration. An independent body before which the Railway authorities would have to justify the existing structure of rates or proposals for change would automatically goad them to improve their costing system and bring it in level with the best professional standards available anywhere. There is no clear incentive today in this respect. We ourselves have been handicapped in our work because of the inadequacies of the present-day railway costing as explained in Chapter V of our Main Report, and it was not possible for us within the time at our disposal to do much to supplement the work done by the Railway Board's Costing Cell. Our experience however suggests that it will be useful to have an outside expert body which can look at the rate structure from time to time and insist on proper data being made available to justify the rates, existing or proposed.

1.140 The question of social burdens also comes up frequently in this context. There is a tendency on the part of Governments as well as railways to assume social burdens. The social burden finally—and usually unknowingly—is borne by railway users of different kinds. If railway rates which cover the costs of such social obligations or subsidised services have to be justified before an expert independent body, the pros and cons of adopting such a policy will be properly and fully considered and a conscious decision will be taken in the matter.

1.141 Finally, the implications of not providing for proper depreciation or not ensuring rate increases when input costs go up will also be brought out clearly in such an examination. The long term harm caused by possible inadequate financial provisions for repairs, maintenance, replacement and expansion will be examined and independent advice tendered to Parliament and the Government. On the other hand, if inefficiency is being covered up, if certain parts of the system are being badly managed, and the cost analysis is either not bringing out these tendencies or, after they are known, managements are not taking effective action, an independent body will be able to pinpoint such failures and force the authorities to act.

*See in this connection Robert B. Carson; *Economic Issues Today: Alternative Approaches*, New York 1978 pages 82-95.

1.142 It may be said that railway rates are too important a matter to be left to an outside tribunal. The Railway Freight Structure Enquiry Committee (1955—57) said so. That Committee however did not give any clear reasons why they took the view that “the analogy of the USA and the UK practices apparently ignores the circumstances surrounding the transport conditions in those countries. Conditions in this country are very different and do not justify such detailed regulation of railways which, moreover, are owned and worked by Government and are subjected to the glare of regular and detailed Parliamentary scrutiny.”* This is the argument that many others also put forward in this context. What they overlook is that Parliament has a vast area to supervise, and to expect Parliament, or its Committees, to be able to look at technical matters like rates for railway services without assistance from an independent expert enquiry is to put too great a burden on a legislative body. The whole purpose of having expert tribunals or commissions is to ensure that professional independent and expert examination can be made of such matters. When the results of such scrutiny are available to Parliament, it would be easier for that body, or its committees, to take cognisance of such findings.

1.143 This matter is so important that it requires a full-scale examination of alternative methods of tackling it. It is not proper that we should make a summary examination of such alternatives. We can only draw attention to the problem and mention some of the alternatives that could be thought of. One way would be to make it possible for the Railway Rates Tribunal to take up the questions regarding the levels of rates and also questions such as classification either *suo motu*, or on a representation made by a recognised trade association or Chamber of Commerce, a recognised passenger association or at the instance of say, 50 Members of Parliament. The Tribunal may have to be properly equipped in terms of members and staff to deal with such matters; and their reports may be advisory in character, the only obligation on Government being to place such reports before Parliament within three months of their submission. It should then be left to the Government to take such decisions on the recommendations as the Government thinks fit, and in the light of the view the Parliament may take of the recommendations.

1.144 Alternatively, we may have a separate body specially constituted for looking at the prices of transport services or public utility

services. We find that the National Transport Policy Committee of the Planning Commission has laid emphasis on the need “for Centralised Pricing Authority to recommend a common criteria for fixing fares and freight rates for different modes.” They have suggested that this task may be entrusted either to a National Transport Commission, a body whose constitution they have recommended or, alternatively, to an independent transport pricing body.† If the Government so likes, it may think in terms of a commission which would have the authority to look at the prices of all public utility services. This could be on lines similar to those of the Pricing Commission in the U.K. The Commission may lay down certain broad guidelines and make detailed and specific examination of proposed changes in prices only to the extent it is found that the proposed charges are distinctly different from, or not in conformity with, the guidelines suggested.

1.145 A third alternative would be to entrust this work to the Monopolies & Restrictive Trade Practice Commission constituted under the MRTP Act. Under this Act, the prices charged by monopolistic undertakings can be enquired into by the MRTP Commission. The recommendations of the Commission are advisory and the decisions are to be taken by the Government. Government undertakings are not subject to the provisions of the MRTP Act except when the Central Government by notification decides to bring them within the scope of the Act. As Government undertakings such as the Railways now constitute the largest monopoly undertakings in the country, there is no reason why they should not be brought within the scope of the MRTP Act in respect of the provisions regarding pricing and other trade practices. The main argument against such a decision would be that the scope of the MRTP Commission’s work would expand very largely in that case and its machinery will have to be considerably expanded. One might then as well think in terms of a special body for the purpose.

1.146 As mentioned earlier, we do not think that it would be proper for us to make a specific recommendation regarding what particular alternative should be adopted. What is clear to us, however, is that it is essential that some provision for a regular scrutiny of tariffs and adequacy of railway services should be made, which scrutiny should be permissible at the instance either of the Government or of members of the public, and that the results of such a scrutiny, if not made binding, should be available to the public and the Parliament so that it would not be diffi-

*Report of the Railway Freight Structure Enquiry Committee 1955—57, Government of India, Ministry of Railways Vol. I (Part-I), Para 298.

†Report of the National Transport Policy Committee, *opp. cit.*, para 6, 2, 7. One advantage of such a body would be that it would regulate the tariffs and services of all modes of transport and not only those of the Railways.

cult for railway rates to be continually based on a proper justification in terms of the overall objectives of rating policy. Past experience in India emphasises the necessity to ensure that any such machinery does not hold up tariff decision for long; and at the same time is able to effectively expose unjust or indifferent treatment meted out to railway users. Moreover, it should be an expert body, with emphasis on an expert scrutiny, rather on a judicial one. Adversary proceedings, and reliance purely on evidence, are unlikely either to help an expert examination or a speedy one.

1.147 While it is neither necessary nor appropriate for us to be more specific about the type of institutional arrangements that should be made for an expert and independent review of the Railway tariffs and the services provided, two points should be emphasised. One is that, unlike in the present procedure of the Railway Rates Tribunal, what is required is an expert examination rather than a judicial one. This implies that the proposed body will have to depend much more on its own expert machinery (like the I.C.C. in the United States) than purely on adversary proceedings and the pleadings of the two sides. Secondly, the body to be set up should be enabled to despatch its work expeditiously. This implies its having adequate staff and consultancy arrangements, and also less emphasis on formal procedures. Perhaps in view of this, a body like the Transport Commission or the Price Review Board suggested by the Pande Committee might serve the objective better. With our experience, it may perhaps not be presumptuous to suggest that provision of adequate staff and consultancy arrangements should not be looked upon as an unnecessary extravagance when matters affecting crores of rupees are to be examined.

Organisation and Management

1.148 One point that many times comes up when discussing various aspects relating to the efficient management of the Railways is whether its being run as a Department of Government in any way adversely affects its efficiency and whether running it as an autonomous corporation would lead to better management.* Experience in many developing countries and also in our own country suggests that public corporations or Government companies can also be made, in effect, to work like Government departments. The matter is, therefore, not one of form so much as of genuine acceptance by all concerned that organisations like Railways should be managed in such a manner that due importance is given to the commercial and financial aspects, as Railways

are basically a commercial organisation. We have noticed a tendency for inadequate emphasis on sound commercial practices. It may not be wrong to say that operation is sometimes considered as an end in itself irrespective of what result it has on the financial side. Commercial and marketing considerations receive inadequate attention and posts such as those of marketing officers are considered to be of secondary importance.

1.149 The financial health of the Railways has to receive continuous attention as a part of the administration and tariffs have to be suitably reviewed in time to ensure that unnecessary losses are not incurred by Railways on account of any major streams of traffic.

Individual Units

1.150 One aspect of the new type of management structure is the size of individual units in the railway system. The formation of Zones for management of railway systems has undergone some changes since the Zones were initially constituted. It is not clear that the present Zones have been organised on the basis of any uniform set of criteria. To some extent, such is also the situation about the number of Divisions into which the Zonal railway systems are further divided. As the traffic is rapidly increasing, especially on the passenger side, and the complexity of operations and management is increasing, it may be necessary to think of a more rationalised Zonal and Divisional structure. A separate but similar problem is regarding the production workshops set up by the Railways for the production of coaches and locomotives and the expected workshop for the production of wheels and axles.

1.151 A similar problem could be raised about activities which are connected with the railway operations but which need a different approach, and which perhaps should be managed through separate but connected units. The management of the few Railway hotels that exist, the Catering organisation which is becoming larger, and power plants which may increase in number belong to such categories. It is not certain that making catering a part of the responsibility of the Commercial Department is fair either to the specialised requirements of the catering organisation or to the Commercial officers who apparently have to spend a large proportion of their time and effort on this work. A specialised branch for organisation with its own specialised cadre might be able to do better justice to this work.

1.152 At the moment, the Railways do not operate power plants to any significant extent. But, with the increasing difficulties faced by

*In fact, the Railway Board enjoys full powers of Government under the Railways Act; and under the financial delegation of powers, the Financial Commissioner has all the powers of the Government. Thus, the position of the Railway Board in respect of formal autonomy is somewhat superior to that of the statutory corporations or Government Companies.

Railways because of the inadequacies in power supply by various power supplying agencies, and especially the State Electricity Boards, a question is being raised—and quite rightly—whether the Railways should not, like some other production organisation, set up their own captive power plants. Captive power plants for both production workshops and maintenance workshops on the Railways appear to be almost unavoidable if the Railways have to carry on their operations at an appropriate level of efficiency. With more electrification in the offing, the question may also arise whether Railway traction can remain at the mercy of agencies such as State Electricity Boards which have increasingly proved unreliable. If, as is reported in newspapers, undertakings such as these in the steel industry are permitted to set up their own captive power plants, it may well be appropriate for the Railways also to do so. In that case, a special unit to look after these may be necessary.

1.153 Another point which may require early attention from the point of view of more efficient management of the railway system is that a system of delegation of powers—in practice and not merely on paper—has to be devised under which officials at Zonal and especially Divisional levels should be able to manage their affairs without constantly having to make references to higher authorities and finding that their work is held up as a result of not receiving speedy advice. As a corollary to such delegation, it may be necessary to ensure that higher management units, whether at the Zonal level or in the Railway Board, do not have to participate too much in the day-to-day operations which should be left far more to the Zones, and even more to the Divisions, than happens today. From all accounts, even Members of the Railway Board, leave alone General Managers, do not at present sit back, look at immediate and long-term problems, work out alternative policies, and think of ways to carry out the real tasks of higher management. It is imperative that officers at the top hierarchy like General Managers and Members of the Railway Board should concentrate more on policy matters and long-term issues instead of getting embroiled in details of day-to-day working which should be looked after by officers of lower levels to whom suitable powers should be delegated.

Personnel Function

1.154 An important effect of the Railways being a Department of Government has been that the approach to personnel, especially in its higher reaches, is tied to that for the Civil Service generally. As various studies including the Report of the Administrative Reforms Commission on personnel indicate, there are serious lacunae in the management of Civil service personnel in

the Government as a whole. Many inadequacies assume even a more serious form when it comes to an organisation like the Railways whose essential requirements are quite different from those in the normal Civil service organisation. A striking aspect of this is the inadequate attention paid to personnel management as a specialised activity requiring expert attention. The officials who handle personnel in the Railways have little specialised knowledge in personnel management. A special agency—the Directorate of Management Services—now attempts to look after the personnel management function for officers' cadres. Its technical capability and facilities may have to be increased, and either its scope should be enlarged or a separate unit set up to look after similar problems for the much larger number of other employees.

1.155 In recent years, a special cadre of Personnel Officers has been created, and such officers have been posted at various levels in the Railway Organisation. With the very large growth in the number of employees, it has been pointed out that the strength of the personnel branches which deal with pay and allowances and other personnel problems had not been adequately increased. This was emphasised before us even by the President of one of the recognised Labour Federations. The result is a large backlog in sorting out the grievances of employees. Long delays in sorting out small grievance is always an important factor underlying dissatisfaction among the employees. The other aspect to which many senior officers drew our attention was that, with the appointment of specialised Personnel Officers, there is a tendency for the line managers to assume that the responsibility for all personnel matters is now to be borne by these specialised officers. In our view, this is not a correct approach. If the line manager is to take work from his workers, it is necessary that he should be able to inspire confidence among them that he will look after them, remove their grievances and ensure that they are properly rewarded for good work. Staff Officers specialising in functions like personnel are essentially meant as supports for the line managers. The idea that the Personnel Officer works as an independent agency is obviously an incorrect one, and it is essential that the proper relationship between Staff Officers of this kind and the line managers should be stressed, with both being given to understand that the Staff Officers are only meant to relieve the line managers and to support them through taking care of the detailed work relating to the specialised function. The final responsibility for the staff rests with the line Managers. It is also necessary that increasing care is taken to recruit and train proper talent for carrying out the personnel function up to the highest levels.

Short Tenure

1.156 While it is not necessary for us to go into details, a few examples of the inadequacies in the personnel management may indicate the nature and magnitude of the problem. One aspect to which even a casual look at posting of Railway personnel invariably draws one's attention is the very short tenures of persons in certain key posts on the railway system. For example, the Divisional Railway Managers (or what used to be called Divisional Superintendents) constitute one of the most important organisational categories on whose successful performance a great deal of the success of Railways' working depends. The Divisional Manager should know not only the problems of the particular Division, but should also be acquainted with, on the one side, the key personnel working in the Division so that he can take the best work out of them, and a good acquaintance with key persons in the region covered by his Division in the fields of trade and industry, agriculture, administration and public life on the other. In this context, it is worth noting that most of the Divisions cover an area larger than a few Districts, and the number of personnel in many Divisions exceeds a few thousand. Information collected by us for a few representative Divisions on different Railways suggests that there are hardly more than a handful of persons who occupied this post for more than three years in the last ten years. The number of those who held the post for more than two years in most Divisions does not exceed two or three, while the number of those who held the post for less than a year is predominant. One can hardly think of a more lackadaisical way of manning these crucial positions.

1.157 Moreover, a similar situation is observed if one examines the changes in the persons holding other important positions. If we take the positions of General Managers, one of the top management positions of critical importance to the Railways as well as the Indian economy, taking the period of ten years from 1969 to 1979 one finds that no Zonal Railway has had less than five changes of General Managers during this period. There have been instances where the number of changes has been as large as nine, as on the Central Railway and the Northern Railway. It is only in the Production Workshops and some of the Construction Projects that one finds a smaller number of changes and thus a welcome degree of continuity in top management.

1.158 Even when it comes to the position of Members of the Railway Board, one finds that only in the case of the post of Financial Commissioner has there been some continuity, with two persons holding the post for more than three years during the last ten years. As regards the

other Members, only two were in position for over three years, six for over two years, seven for over one year, and four for less than a year. No person has held the post of Chairman, Railway Board, for over three years in the last ten years, four having held the post for over two years and three for between one and two years. One can hardly expect adequate continuity of direction which is so important in the case of top management which has to look at a long period ahead. This is not to belittle the capacity of the individuals concerned, but only to point out that, however talented the individuals, they cannot give of their best when they hold charge of such critical positions for very short period of time.

Recruitment and Training

1.159 The Railways are manned in the higher categories by officials who are recruited on the basis of competitive examinations held by the Union Public Service Commission. Recruitment to the Railway Services is done as a part of recruitment to all India Central Services through the combined competitive examination which the UPSC holds every year. The UPSC similarly recruits engineers on the basis of a combined Engineering Examination. The recruits so selected are then appointed to particular services such as the Indian Railway Accounts Service, Indian Railway Service of Engineers, Indian Railway Service of Mechanical Engineers, Indian Railway Service of Electrical Engineers, Indian Railway Signalling & Telecommunications Service, Indian Railway Stores Service, Indian Railway Medical Service Indian Railway Personnel Service and Indian Railway Traffic Service. The recruitment to other services is made either through the UPSC, the Railway Service Commissions or through Employment Exchanges according to the nature of the posts. The Railways have an elaborate training organisation especially for the work handled by lower supervisory categories as such training cannot be available in any outside training establishment. For the Class I officer categories, initial training is given as a part of the all-India services training, supplemented by specialised training on the Railways and in the Railway Staff College at Vadodara. On all accounts, the training function is performed quite well as compared to most other large industrial establishments in the country regarding the work done by the lower supervisory categories. It is when one comes to Class I officer categories that some doubts emerge, especially in regard to mid-career training.

1.160 Our discussions and observations with various individuals in the railway system and at the Railway Staff College and also a perusal of some of the documents concerned suggest that,

when it comes to mid-career training, the Railway Staff College is still not adequate in comparison with the faculties of specialised management institutions in the country such as the three Indian Institutes of Management or the Administrative Staff College. The Railways having one of the largest officer cadres as compared to other commercial and industrial establishments in the country, can really afford to have a full-scale higher management development institution of its own. But little attention has been given to this up to now. We have seen some halting proposals for the creation of a management faculty. These would not probably serve the real purpose.

1.161 The result of the neglect regarding development of a really vigorous management training institution within the railway system has been that officers are sent abroad for short periods of training. While one need not look askance at persons being sent abroad for learning new techniques, both on engineering and other technical aspects and also in management, this can be no substitute for the development of a management development programme suitable to the requirements of the Indian Railways themselves. While in the socio-economic conditions that exist in India, hankering after training abroad comes naturally to most officials, one wonders whether such training provides any significant advantage by way of helping talent development on a systematic basis. The Indian Railways are one of the largest transport systems in the world. They face and, in spite of many inadequacies and handicaps, solve very difficult problems of management. This experience needs to be put together, analysed and utilised for developing a vigorous management development programme suited to Indian conditions. Such an institution will even provide an excellent focal point for the training of Railway officials from other developing countries whose railway systems are developing now. Incidentally, such an approach will also help in the efforts recently undertaken to export railway equipment as well as technical and managerial expertise abroad. If Indian Railways admit that for their own higher management training they depend upon institutions in foreign countries, our competitive export effort is hardly likely to gain credibility.

Personnel Development

1.162 Our observations and discussions have given us sufficient confidence that the Indian Railways have some of the best potential talent to ensure the improved operation and sustained development of the railway system. This however requires a much more systematic effort than is in practice today for talent-hunting and the development of potential talent. Capabilities of different individuals even in the same service lie in different directions, and their potentiality to

develop also varies. The task of effective personnel management is to distinguish between different individuals and ensure that proper opportunities—training of different kinds and experiences through appropriate postings both within and outside the organisation—are given to different individuals so that their potentiality is fully developed and appropriately utilised. Personnel is the ultimate source of the strength of an organisation; and the neglect of this major resource can be a major handicap to its efficient functioning. It cannot be said that adequate attention has been paid in the Indian Railways to this aspect.

Lateral Recruitment

1.163 One point which comes out of observations and discussions which we have had is the necessity for lateral recruitment of professionally qualified suitable personnel, where necessary, apart from developing such talent from within the system. This is already being done to some extent as in the case of highly qualified doctors, metallurgists etc. This has to be extended to other categories which require high professional qualifications like in the case of Cost Accountants. The Railways have already a system of lateral recruitment in the intermediate categories as in the case of Traffic Apprentices, Permanent Way Inspectors, Apprentice Train Examiners etc. This system has to be systematically organised so that adequate personnel will be available for manning important posts in the various supervisory grades.

1.164 As mentioned above, efforts should be made to develop the potential talent available within the Railways; but it is not always possible to ensure without special efforts that the potential is actually developed to carry out the new tasks; and if this has not been done in good time, lateral recruitment, at least on a short-term basis, should not be avoided just because this may reduce the promotion opportunities of those already in service. The interest of the organisation, of the consumer, and finally of the national economy should come before that of the employee. Like in many other fields, there has been too much of a tendency at inbreeding in the Railways. This is not healthy, especially in a rapidly growing organisation where change is inevitable and new type of talent and new thinking are essential if justice is to be done to the challenges that are developing. At the same time, giving opportunities to potentially capable Railway personnel to widen their experience by work in other public sector organisations is also essential. This needs to be done on a much wider scale than is happening at present.

Special Task-Force on Management?

1.165 It is not possible for our Committee to go into the details of these various problems.

It was inevitable however that, in the course of our enquiries and investigations, we should come across these problems. In our discussions with Railway officials, many of these points repeatedly came up; so also in our discussions with others in Government and outside. It is obvious that a Committee like ours cannot presume to suggest answers to such complex questions. All we can do—and cannot avoid doing in view of our Terms of Reference—is to draw the attention of Government to these issues, especially as they have a very direct bearing on ensuring that the Railways operate at a higher level of operational efficiency. Unless this happens, the requirements of the developing economy and the interests of the common man will not be properly served, and Railways' financial viability will be adversely affected. Perhaps, the Government might think in terms of having all such basic questions relating to railway management examined by an Expert Group though a full-scale examination which has not been done since long. It appears to us that such an examination would be of great use in helping to bring about some of these essential changes with a view to enabling the Indian Railways to perform their task in a better manner.

Divisionalisation of Stores Management

1.166 It is not possible for us to go into many details of management improvement. There is however one point which we would like to specially mention. During their meetings with the Divisional Officers of the various Divisions of Indian Railways our Committee discussed the subject of procurement and supply of stores on the Divisions. The general consensus was that the existing arrangements were not very satisfactory. According to the existing system, the supply of stores is mainly centralised with the Controller of Stores in the Zonal Headquarters. There is no separate stores organisation on a Division to help the Divisional Railway Managers and the various executive officers in expeditious procurement of requisite stores. Each executive officer has to procure his requirement through the Headquarters Office and the powers for local purchase are very limited. It was pointed out that the existing system entailed considerable delays in supply of even essential items and often the various assets could not be used as intensively as would be possible if the system of supply of stores and spare parts etc. was better organised.

1.167 The question of decentralisation of stores depots was considered as early as in 1968

by the Railway Accidents Enquiry Committee who had made the following observations in their Report:—

“Recommendation No. 255 :

We are of the view that it may be possible to decentralise the Stores Organisation in a manner that the advantages of having stores depots contiguous to the consuming centres are derived without subjecting the system to disadvantages arising out of larger inventories.”

1.168 The question of decentralisation of stores management has been receiving the attention of the Railway Board for quite some time and the Committee on “Yardsticks for Gazetted Organisation of Stores Department” 1979, was asked to look into this aspect also.

1.169 This Committee has examined the question of Divisionalisation of Stores Management in detail. They have commented that “Most of the Railways have preferred divisionalisation. The Committee considered that a number of problems of stores management which the Divisional Officers are now facing could be conveniently resolved by divisionalisation of stores management.”* They have recommended that the divisionalisation could be brought about in two phases. “For Phase I divisionalisation it will be essential to have a DCOS attached to the Divisional Superintendent. Later on when Phase II comes into action, it may be necessary to add an ACOS at least on major divisions. The Officers will work under the administrative control of the Divisional Superintendents who would write their Confidential Reports. The Officers will, however, be borne on the cadre of the Stores Department.”**

1.170 It has been suggested that the divisional stores organisation could assist the Divisional Officer in respect of materials management problems with particular emphasis on the following:—

- (a) ensuring coordination with various indentors in respect of materials management within the division;
- (b) assist in preparation of complete and accurate demands and forwarding them to the proper depots for getting the requirements;
- (c) assist in exercising the purchase powers of DS which are not at present being utilised fully;

*of para 3-5-1

**of para 3-9

- (d) ensure proper coordination between purchase office and stores depots with the divisional indentors;
- (e) expedite settlement of purchase cases and complaints on non-payment of supplier's bills in respect of all direct delivery stores through prompt release of inspection notes/receipt note/no loss certificates;
- (f) assist in having proper budgetary control on use of materials;
- (g) attend to disposal of certain items which could be conveniently disposed of in the division itself;
- (h) eliminate delays in stores delivered by stores van service.

1.171 It has also been recommended by this Committee that the powers of DSs for cash purchase should be raised to Rs. 2,000 per item at any one time without any limit to the ceiling upto which purchase may be made. It has further been suggested that this power may be delegated to the head of the divisional stores Organisation, namely, the DCOS.

1.172 The RTEC endorses the recommendations made by the above Committee and recommend that Divisional Stores Organisation on the lines suggested above, should be set up as early as possible.

Inadequacy of Educational Facility for Children

1.173 We have deliberately refrained from dealing with matters relating to welfare measures for employees, as various other bodies have dealt with this matter. It is not necessary for us to lay stress on the well-known point that only a happy employee can give of his best and it should be the endeavour of every organisation to do the best that it can for them. The Railways' record as an employer has certainly been good, though it could be better. There has, as pointed out earlier, not been an adequate awareness of improving the working conditions and surroundings especially in traditional areas of work including Workshops. While the health facilities for railwaymen are certainly one of the best of the country, the same cannot be said about housing and educational facilities. Some stress has specially to be laid on the latter. It has been represented by the Zonal Railways that the staff posted on line and in various out of the way places like marshalling yards etc., find great difficulty in regard to education of their children. Sometimes the area covered by a particular Zone extends over several States/regions. Whenever a particular employee is transferred from one station to another in a different State, the education of the children becomes a big problem

unless Central Schools are provided at both the places. There is, therefore, a strong case for provision of adequate number of Central Schools at least in areas where there is large concentration of railway staff. It is also necessary that adequate number of subsidized hostels are provided to help the staff who are posted at smaller stations.

1.174 It has also been brought to our notice that there is at present no rule or convention that when staff are promoted to a higher grade, they will do a term in that higher grade before they are considered for promotion to further higher grades. It is not certainly conducive to efficiency if staff do not acquire adequate experience in particular levels of work before they are again promoted to further higher grades assuming higher responsibilities. We would, therefore, recommend that in respect of staff, they should serve at least a term of 2 to 3 years in a grade before they are considered for promotion to the next higher grade.

Labour Relations

1.175 It is not necessary for us to state that, whatever the situation regarding the welfare measures taken by the Railways and however long the history of attempts of cooperation between the railway organisation and its employees, it cannot be said that the relations are satisfactory; and this is undoubtedly one of the major factors affecting the efficiency of the Indian Railways. Not only are there a number of strikes of different duration, by different categories, and in different parts of the country but there have been a number of situations of go-slow, and lack of cooperation. The railway labour is organised mainly under the auspices of two major National Federations, and, in addition, there are a number of category-wise associations and other unrecognised bodies. These latter pose special problems which need attention. While it is claimed on the part of the Government that there is a persistent attempt to discuss all matters with the leaders of both the recognised and unrecognised unions and there should be no grievances which should come in the way of healthy relations and fruitful cooperation, labour apparently does not share this view.

1.176 There is no doubt that labour relations on the Indian Railways need to be improved and, unless this can be done, other efforts to improve efficiency are not likely to be very effective. As indicated earlier, however, railway labour constitutes such a large proportion of the labour force in the country, and it is spread over such a wide area, that to a large extent labour relations in the Railways depend a great deal on labour as well as social relations in the economy

and the society as a whole. Political agitations of different kinds, regional or linguistic differences, the class relations among different sections of the population, all these affect labour relations in Railways a great deal and the Railways cannot isolate themselves from what happens in the economy and the society as a whole. This is not to say that the Railway Administration should not or does not make efforts to improve labour relations and build up morale within the Railway organisation; but what needs to be realised is that there are severe limits to what can be achieved by the Railways

themselves. Much will depend upon what is happening in the society as a whole.

1.177 In any case, this problem is too vast in its complexity and implications for a Committee like ours to attempt to tackle. All we can do is to mention that we are aware of this very important dimension of the problem of Railway efficiency. We hope Government will on its own and under competent advice, and as a part of its overall political, economic and social policy, take steps to build up proper relations with its labour and especially Railway labour.

CHAPTER II

CHARGES FOR POSTAL TRAFFIC

Basis of Existing Charges

2.01 Post Office traffic is conveyed by rail, air and road. In the period 1975-76 to 1977-78, the Post Office spent about Rs. 31 crores (out of its total expenditure of about Rs. 190 crores) a year on transportation of mail and parcels. Of this about 36% was paid to the Railways, 32% to the Airlines and 32% to the road operators.

2.02 On the Railways, postal mails are carried either in vehicles specially constructed (or converted) as postal vans at the cost of the Postal Office, or in ordinary coaching vehicles, *i.e.*, non-postal vehicles in which accommodation is reserved for the conveyance of mails, or in charge of Guards or Mail peons travelling on season tickets. In January and July each year, half-yearly programmes for the conveyance of mail under these systems are drawn out and a copy of the programme is supplied to the Divisional Railway Managers. The charge for each half year is based on the reserved accommodation supplied/weight of mail bags carried on these statistical dates. Despatches not covered by these programmes are also arranged as and when necessary and are charged for separately at the rates for non-postal vehicles or mail bags as the case may be.

2.03 In an average year, conveyance of Post office mails involves haulage of reserved carriages for a total of 2.30 lakh vehicles-kms (in terms of 4 wheelers), and carriage of 0.53 lakh quintal-kms of mail bags, per day. For these services the post office pays about Rs. 11 crores a year—98.5 per cent of this amount is for haulage of reserved vehicles and the balance 1.5 per cent on account of postal bags carried under weighment system.

2.04 A history of the charges made by the Railways for carrying Post office traffic is given in Statement 2.1. It will be seen that ever since 1878 the Post office has been charged on the basis of the actual cost incurred by the Railways in rendering the service.

2.05 We have discussed in detail the question of the future tariff structure for the mail traffic with representatives of the P & T Board and the Railway Board. In coming to our conclusions, we have taken into account the view points of both the sides.

2.06 As stated above, the Post office is charged on the basis of the actual cost incurred in rendering the service. The underlying principle is that the Post office should be charged the cost incurred in carrying the Mails traffic and not the average cost of the Railways. Certain costs incurred by the Railways for carrying other traffics are not incurred in respect of the Mail traffic. The Post office is therefore charged somewhat less than the average cost of the Railways. In essence, the rates are worked out as follows:—

Haulage rates for non-postal and postal vehicles: The actual cost of haulage of a coaching vehicle per km. less 15% for services not rendered. In the case of postal vehicles, a further rebate on a mutually agreed basis is allowed in consideration of the fact that the Post office bears the capital charges (interest and/or depreciation).
Mail bags under the weighment system: The charge is based on the public tariff rates for 161 kms, less 27% in consideration of the fact that certain services rendered to the public are not needed to be performed for the postal traffic.

The rates so fixed apply to a five year period and are based on the cost in the middle year of the period.

Drawbacks in the Existing Basis

2.07 The existing method of determining the scale of charges suffers from some drawbacks, and therefore the objective is not fully achieved, the procedure of adjustment of the charges between the Railways and the Post office also causes some distortions.

2.08 The rates for the entire five years period are based on the costs in the mid-year of the period. If the percentage difference in the expenditure in each of the other four years and the mid-year is about the same, this would make no difference in the overall financial picture. However, in fact, the rate of increase in the expenditure varies from year to year. In the result, in some periods the total amount charged by the Railways would be more, and in some periods less, than the cost. Table 1 below compares the rates for non-postal vehicles which would have been charged in each year if they were based on the actuals of the year itself with the mid-year based rates actually charged:

TABLE I

Year	Haulage rate for non-postal vehicles				Paise/vehicle km	
	Based on actuals of the Year		As charged		Difference	
	B.G.	M.G.	B.G.	M.G.	B.G.	M.G.
1971-72	73	71	92	86	+19	+15
1972-73	81	71	92	86	+11	+15
1973-74	92	86	92	86	—	—
1974-75	117	109	92	86	—25	—23
1975-76	120	115	92	86	—28	—29
	Average per year				—4·6	—4·4

It will be seen that, on the whole, in this period the Post office was under charged by about 4.5 paise per vehicle km. The correct charge should have been, say, 97 (BG)/90 (MG) paise per vehicle-km against 92 paise (BG)/86 paise (NG) charged. The shortfall in the recovery which this represents entailed an overall loss of around Rs. 2.5 crores to the Railways.

2.09 The rates for Postal traffic are revised every five years on the basis of the cost in the mid-year. The actuals for the mid-year of the five year period become available only after the five year period is nearly over. Therefore in the first instance, the Post office is billed for provisionally on the basis of the figures for the second preceding year—the latest year for which figures audited are available at the time—and necessary readjustments are made later when the actuals for the mid-year of the five year period become available. To illustrate: The provisional rates for the period 1971-72 to 1975-76 could be based on the 1969-70 costs. Adjustments in the accounts for the first four years (1971-1972, 1972-73, 1973-74 and 1974-75) were made initially on the basis of these rates, and the difference between the charges due at these rates and at the rates based on the mid-year (1973-74) was adjusted in the accounts for 1975-76. The adjustments relating to only the fifth year (1975-76) were made in the first instance at the final rates.

2.10 In the circumstances of the case, the procedure adopted is unavoidable. However, apart from the fact that this involves double work, it results in the accounts for the year not reflecting the correct position for the year. The accounts for the first four years understate earnings of the Railways and expenditure of the Post office. On the other hand the accounts for the fifth year overstate earnings of the Railways and expenditure of the Post office. Thus the accounts of a year do not reflect the true and correct position of the activities in the year as

they should, and this vitiates the co-relation between expenditure and earnings.

System of Charging Postal Traffic by Indian Airlines and State Road Transport Corporations

2.11 It is interesting to note here that rates for Post office mail carried by the Indian Airlines are not only revised annually on the basis of the figures pertaining to the year, but the mechanism developed provides for accounts of the year reflecting more or less the correct figures for that year. In view of the fact that the audited accounts for a particular year become available only in July/August of the following year, Indian Airlines Corporation raise monthly bills on Post office at a provisional rate based on its budgetted operating cost which is available at the beginning of the financial year. The final rate for the year is worked out after the audited accounts for the year became available and the difference, if any, is either billed or paid back to Post office. The position in regard to the mail traffic carried by road is still better, as the Post Office is charged at public tariff rates in force from time to time (State Road Transport Corporation)/contract rates (public carriers) and therefore all bills are based *ab initio* on the current rates.

2.12 The cost of carriage per kilometre decreases as the length of the journey increases. The public tariff rates of the Railways therefore taper with the distance, the rate per kilometre decreasing as the length of the haul increases. The true cost of carriage for a stream of traffic depends on the distance for which it is carried. The flat rates at which the Post office is charged represents the average cost of the Railways. These rates therefore correspond to the cost incurred in the carriage of a variety of passenger and 'other coaching' traffic for the average distance for which all such traffic taken together is conveyed. The average distance for which mail traffic is hauled would not necessarily be the same. In the circumstances, the Post office would pay more than justified if the average distance

for which its traffic is hauled is more than the average for all the coaching traffic carried by the Railways, and less if the position is otherwise.

2.13 At this point it would be useful to look at the basis on which Airlines and Roadways charge for mail traffic. We find that the Post office pays the Airlines more or less, and the State Road Transport Corporation entirely, on the basis of their public tariffs. The rates for Post office mail carried by Airlines and State Road Transport Corporations are determined on the following basis:—

Indian Airlines

Rates per Mail Tonne Km $\frac{(A-G.15A) \times 1.06 + \text{interest/Net}}{\text{Total Revenue Tonne Kms}}$

- (i) 'A' represents the total operating cost as given in the audited Profit & Loss Account of Indian Airlines.
- (ii) 15 per cent of 'A' is deducted as it has been observed that the same represents the passenger handling/servicing cost which are not incurred for postal traffic.
- (iii) The total operating cost is jacked up by six per cent to take care of the other incidental costs which are not included in the operating cost and to allow a fair margin of profit to the Airlines.
- (iv) The total Revenue Tonne K.M. represents the system Revenue Tonne K.M. of Indian Airlines during a particular year.
- (v) The rates are revised yearly.

State Road Transport Corporations

- (a) One passenger fare is charged for each mail bag of 30 Kgs in hilly areas and 35 Kgs in the plains. If the mail bags are carried in Fast/Super-fast or any other type of buses, the fare applicable in those buses will apply.
- (b) The minimum postal subsidy for any route will be Rs. 25 (Rupees Twenty-five only) per month.

2.14 In effect, the payment made by the post office to the Indian Airlines is based on its cost (including interest), less an allowance of 15 per cent for services which are meant only for passengers and are not required to be rendered in connection with carriage of mails, and an addition of six per cent for the priority given by the Airlines to the carriage of mail and a reasonable profit margin. The Report of the Committee which suggested the extant formula for determining the rates states that, in developing the formula, "it was also kept in view that the rates so fixed do not compare unfavourably with average earnings of Indian Airlines on freight". In the case of the State Road Transport Corporation, the Post office pays strictly at their public tariff rates—one fare per mail bag without any deduction or addition.

2.15 As a matter of interest, we have computed roughly the rates which the Railways would have charged on the basis of the Indian Airlines formula. Table 2 compares these rates with the mid-year based rates actually charged

TABLE 2

Rates for haulage of non-postal vehicles (BG) Paise per vehicle

Year	Existing Railway basis		Rates on IAC basis
	Rates actually charged	If separate rate was fixed for each year	
1971-72	92	73	79
1972-73	92	81	87
1973-74	92	92	99
1974-75	92	117	125
1975-76	92	120	120

and the rates which would have been charged if separate rates were fixed for each year based on the costs incurred in the year.

It will be seen that the rates based on the Indian Airlines formula would have been more remunerative to the Railways as compared to not only the rates based on the costs of the middle year but also the separate rates for each year which could have been fixed on the basis of the year's costs.

Necessity of Fixing Postal Charges on Commercial Considerations.

2.16 Both the Railways and the Post office are departmentally managed commercial enterprises of the Government and partake of the nature of a public utility. The accounts of the Railways have always been maintained on a commercial basis and their finances were separated from the General Revenues by a Convention adopted in 1924. While the Post office finances

have not been separated from the General Revenues, since 1925-26 their accounts are maintained on a commercial basis. Transactions between the Railways and the Post Office should, therefore, be conducted on business principles and each department should be entitled to and should, charge the other department the fair market rate for the services rendered to it. In this context we consider that it would be only proper for the Post office mail traffic to be charged at public tariff rates. In coming to this conclusion we have been encouraged by the fact that, in effect, more or less the same principle as that enunciated above underlines the rate structure for the mail traffic carried by air and by road.

Basis of Charges for Postal and Non-Postal Vehicles

2.17 Post office mail traffic is of the nature of 'other coaching' traffic. We have discussed the conceptual framework of the tariff for the other coaching' traffic in Chapter XII of our Main Report. It will be seen from para 12.11 of that report, reproduced below, that:—

"In general, our approach is that, while covering its costs the brakevan or other vehicle in which 'other coaching' traffic is conveyed should, by and large, earn the same amount as a second class sleeper coach in Mail/Express train, and the rate structure has been designed to ensure this Passenger trains are meant primarily for passengers and taking into account the volume of passenger traffic expected in future, a brakevan or other vehicle could easily be replaced by a second class sleeper coach and that coach would have a full load. It is, therefore, only reasonable that the income from a brakevan or other vehicle attached to a passenger train for carrying 'other coaching' traffic should be less than that of a second class sleeper coach in a mail/express train."

We have chosen the Second class sleeper coach rather than any other type of coach as, if it were possible to replace an 'other coaching' vehicle on a train by a passenger coach, under the existing policy it would be replaced by a Second class sleeper coach. The charge is proposed to be based on Mail/Express scale of fares because, with the constantly increasing demand for faster trains, any extra passenger coach that becomes available will be used to increase the accommodation on a Mail/Express train.

2.18 A small portion of postal traffic is conveyed as parcels and the major portion in reserved vehicles (Para 2.03). We have proposed in Chapter XII of our Main Report that all parcels (other than newspapers and magazines,

milk, vegetables, meat and fish and the like, which may be charged at concessional rates on wider social grounds, should be charged at the General Parcel (GP) rate, and that 'other coaching' traffic conveyed in vehicle loads should be charged at GP rate on a weight of 60 quintals (BG)/45 quintals (MG) per 4-wheeler vehicle (which is roughly equal to the actual average load carried in the four-wheeler brakevan).

2.19 We can see no reason for much less any advantage in, charging for the mail traffic on a different basis. Bringing the tariff for post office traffic, which has developed independently, into the mainstream of parcel rates will have the added advantage that it need not be revised separately—revision will take place automatically whenever the parcel rates are revised.

2.20 While public tariff would be the appropriate basis of charge for the mail traffic, it will only be reasonable that the rates should include a rebate for the services rendered to the public which are not availed of by the Post office and an additional allowance for any special facility granted to the Post office which are not available to the public.

2.21 At present, Post office is given a 15 per cent discount in haulage charges for postal and non-postal vehicles, and a 27 per cent discount in the freight charges for Mail bags conveyed under the weightment system. The discounts reflect the fact that certain services rendered by the Railways to the public are not rendered to the Post office. The percentages were laid down by the Financial Commissioner (Railways) and the Financial Adviser (Communication) after a discussion in 1938 and have remained in force all along. There is no record to show the basis on which these figures were arrived at. There is no doubt that some of the work done by the Railways in connection with public traffic is not required to be done in respect of the postal traffic. Examples are; weightment, documentation at the station, and loading and unloading. Neither the Railways nor the Post office were able to give us data required to examine the reasonableness of the quantum of discounts. It has also not been possible to collect the necessary data independently. In the circumstances, the existing basis of allowing discounts for services not rendered may be allowed to stand for the present. It is understood that the Railways are conducting a cost study of 'other coaching' traffic and, hopefully, this will throw up the data required for determining the correct amounts of discounts due to the Post office.

2.22 The Post office get a further discount in respect of the postal vehicles owned by them i.e. vehicles which have either been built at its cost) or which have been built at the cost of the Railways but the Post office pays interest to the

Railways on their capital cost, in consideration of the fact that it bears the capital charges. It would be only logical that they should continue to get this discount on the same basis as at present.

2.23 The Post office pointed out to us that Finance Department considered, as long back as 1872, that "the Post office would be entitled to get special considerations as a wholesale and steady customer." While this may have been reasonable a hundred years ago, it cannot be regarded as a valid argument in the present day conditions when there is shortage of accommodation in every train and a large number of passengers, and considerable quantities of parcels, are always waiting in the queue for room. In fact, in the existing conditions, the Railways could perhaps reasonably ask for some extra payment for providing reserved accommodation in various trains for carriage of mail, according to the demand made by the Post office at the cost of the general public, and trade and industry. Every travel agency would be willing to pay something over and above the regular fare if it could be guaranteed a certain number of seats/berths everyday in the train nominated by it. Similarly, those having a regular or frequent requirement of parcel service would be willing to pay more for reserved-space in the brakevans in the trains nominated by them. It would not be in public interest to make such reservation for any travel agency. In regard to the parcel service, we have recommended (para 12.24 of our Main Report) that the Railways should charge something extra for carrying parcels on reserved-space basis.

Legal Position Regarding Railways Carrying their own Mail

2.24 One point the Post office have raised from time to time, whenever the question of rates for postal traffic has been under consideration, is that the Post office loses revenue on the Railways' own mail which they carry themselves, pointing out that under the law the Post office has the monopoly of carrying mail. We find from the old papers that this matter was settled in 1939 in terms of the decision taken by Sir A.G. Clow, the then Member of Governor General's Council incharge of Railways, with the concurrence of then Members for Communications and Finance in the Governor General's Council. It was held that the breach was technical since the monopoly really vested in Governor General in Council (Now Central Government) and not in the Post Office. However, in view of the fact that efficient working of the

Post office depends virtually on a complete monopoly and every breach of this monopoly results in losses to the Post office, it was decided that the Railways should compensate the Post office by giving certain Post office officials duty passes for journeys performed on the Railways on duty. This arrangement still stands. We also find that in many other countries, e.g., the U.K. and the U.S.A., the Railways are allowed to carry their own mail. We do not think therefore that this is a point which should be taken into account in fixing Railways rates for carriage of Post office traffic.

Proposed Basis for Charge for Postal Traffic

2.25 To conclude: In the light of the foregoing, we consider that in future, the Railways should charge the Post office for conveyance of mails at the General Parcel (GP) rate applicable to the public traffic, less existing allowances for services not rendered in respect of the Post office traffic. At the same time, the rate structure should be such as to be easy of application and avoid the need for lengthy and laborious calculations and retrospective adjustments. Accordingly, we recommend that the Post office should be charged at rates determined on the following basis, separately for each gauge in the case of haulage of nonpostal and postal vehicles. The rates should be revised only when the GP rate and/or the weighted average distance hauled are revised:

Non-Postal Vehicle = Rate per vehicle Km = $(A \div B) \times 0.85$
 Postal Vehicles = Rate per vehicle Km = $(P \div Q) \times 0.85R$
 Mail bags under weightment system = Rate per quintal Km = $(X \div Y) \times 0.73$

- (A) General parcel rate for 60 qtls (BG)/45 qtls(MG)/35 qtls(NG) for the distance referred to in (B).
- (B) All India weighted average of the distance for which a BG/MG/NG non-postal vehicle is hauled.
- (P) General Parcel rate for 60 qtls.(BG)/45 qtls (MG)/35 qtls (NG) for the distance referred to in (Q).
- (Q) All India weighted average of the distance for which a BG/MG/NG postal vehicle is hauled.
- (R) Allowance on the existing basis for capital charges (interest/depreciation) borne by the Post Office.
- (X) General Parcel rate for one quintal for the distance referred to in (Y).

*Data collected by us suggest that the All India weighted average distances for which postal traffic is carried, are:—

Postal & non-postal vehicles all gauges taken together :	About 345 kms:
Mail bags under weightment system	About 127 kms:

(Y) All India weighted average of the distance for which a quintal of mail bags is carried under the weighment system.

2.26 It should be very easy to determine the All India weighted averages* referred to in (B), (Q) & (Y) from the half yearly bills submitted by the Railways to the Post office. The bills show the number of vehicles hauled and the total distance (vehicle-kms) for which these are hauled, as also the weight (quintals) and the total distance (qtl-kms) for which mail bags are carried under the weighment system. Data relating to one year (two half years) would be adequate to work out the weighted averages in question. Since postal traffic moves on a set pattern and the pattern does not change very much from year to year, the weighted averages may be recalculated only once in, say, every five years. In order to avoid double revision, it will

be advisable to synchronise the revision of weighted averages with the revision of the General Parcel rate.

2.27 On some section of the Railways, charge is levied on inflated distance. Examples are: Darjeeling—Himalayan Railway, Nilgiri Mountain Railway, Kalka—Simla Railway. In such cases the rates for Post office traffic, calculated in terms of para 2.24 above, should be inflated to the same extent as those for the public traffic.

2.28 At present there are also separate rates for Postal specials i.e., special trains run exclusively for conveyance of the Post Office traffic. We understand, however, that no such train has been run for many years and it does not seem likely that any would be run in the future. There is therefore no need to make provision for these in the postal tariff.

STATEMENT—2.1

History of Evolution of Postal Traffic Rates

The relations between the Railways and the Post Office date as far back as the introduction of railway system in the country. An abstract from clause 20 of the contract with the East India Railway Co. dated 17-8-1849 for the construction of the first experimental railway line reads:

“20. That the said railway will at all times during the said determinable term convey on the said railway the Govt. mail and post bags and the guards and other servants of the Post Office in Charge thereof free of charge and when they are on duty all officers and persons in the administration of the post office also free of charge”.

1. This clause was invariably inserted in all subsequent contracts with P&T Department and the Railways.

2. In 1860 when the idea of starting travelling post offices (now RMS Sections) was first mooted, the question whether the above clause included the free supply of sorting carriages to the post office, went up to the Advocate General of Bengal who inter alia interpreted that free supply of sorting carriages by the railways did not come within the purview of clause 20 of the agreement. This legal opinion upset the outlook of clause 20 of the agreement. In a circular issued in 1869 it was laid down that the Post office was entitled to have free of charge in all ordinary trains, sufficient space for receiving, carrying and distributing mails in transit while payment for haulage of special carriages for sorting purposes should be made at a rate calculated to represent the proportionate space required for it as distinct from that required for receipt, transmission and distribution of closed mails.

3. About the year 1872 the propriety of free conveyance of mails for the Post office by the Railways began to be questioned. It was argued that the Post office should be considered in no other light than that of a chance private customer, while the Finance Department opposed this view and further argued that even as a private business the Post Office would be entitled to get special consideration as a wholesale and steady customer. In 1877 the Governor in Council ruled that the actual cost incurred in the conveyance of mails over the state railway lines should be paid by the Post office.

4. With effect from 1-4-1879, a uniform rate of 18 pies per mile per vehicle for the both Broad and Metre Gauges was fixed and the

Post Office was required to pay proportionately for the actual space allotted to it on its own requisition. In addition, the Post Office had to pay interest charge equal to 4½% P.A. on the original cost for all the vans or parts of carriages built or altered on the requisition of the Postal Department since 1-1-1878 for the exclusive use of the Post office. The rate for mails carried in the luggage vans under weightment system was fixed at one pie per maund per mile.

5. These rates were to be in force for five years. They were, however, continued right upto 31-3-1924 with only one change made from 1-4-1884—it was laid down that in the case of an occasional despatch under weightment system the weight should not exceed 5 maunds.

6. In 1920 the Indian Railways Conference Association asked for enhancement of the rates. The rates were revised from 1-4-1924 after discussion between the Director General, P & T. and the Chairman, Railway Board. While the basis on which the rates were fixed is not known, the structure of rates introduced varied from the previous structure in that :

- (i) separate rates were fixed for (a) postal vehicles; and (b) non-postal vehicles
- (ii) separate rates were fixed for B. G. and M. G.

7. The Railway Board raised the question of increase in rates again in 1933. The matter remained under argument for some years. The revision of rates was made from 1-10-1939 based on an agreement arrived at after discussion between the then Financial Commissioner, Railways (Sir B. G. Staig), and the Financial Adviser, Communications (Mr. Ghulam Mohammad). This revision is important in that (a) the basis on which the revision was made and on which subsequent revision should be made was also indicated; and (b) Post office was allowed a discount for services not rendered. In essence, the rates then introduced were based on the following principles :

General: The rates were to be in force for a five-year period and were to be based on the actuals for the average of the previous five years.

Haulage rates: The rate for haulage of non-post office vehicles was to be based on the actual cost of haulage per coaching vehicles kilometre less 15% for services not rendered, and

in the case of postal vehicles a further rebate was to be allowed at the rates laid down in consideration of the interest/depreciation borne by the P&T.

Weightment system: The charge was to be based on the specified rates reckoning the rate for charge in terms of 5 seers (these rates were 27% less than the public tariff rates) in consideration of the services not rendered to the public which were not availed by the P&T.

8. Although the Staig-Ghulam Mohammad formula contemplated revision of the rates every five years, Railway Board next took up the matter only in 1954, and the rates were eventually revised from 1st April, 1956. Since then, the rates have been revised every five years from 1-4-61, 1-4-66, 1-4-71 and 1-4-76.

9. The basis of charge laid in the Staig-Ghulam Mohammad formula continues to be in

force with some modifications in detail agreed to from time to time between the two Departments. The main change effected, which was introduced from 1-4-1971, is that the rates for a five-year period are based on the actuals of the mid-year of the five-year period instead of the average of the preceding five years. Thus, 1973-74 was the basis of charge for the five-year period 1971-72 and 1975-76.

10. As the actuals for the mid-year of a five year period become available only after the five-year period in question is nearly over, it has been agreed that in the first instance adjustments should be made on the basis of the latest year the figures for which are available (which is usually the second preceding year) and then necessary readjustments should be made when the actuals for the mid-year of the five-year period become available.

CHAPTER III

RATES FOR MILITARY TRAFFIC

Introduction

3.01 One of the terms of reference of the Committee is to examine the structure of fares, rates and other charges for Military traffic carried by Passenger trains/Goods trains as also ancillary and incidental matters. We have accordingly gone into the question of tariffs for Military traffic.

3.02 A detailed questionnaire was sent to the Railways and to the Defence Ministry (copies of the questionnaire are at Annexures 3.1 & 3.2) and we have considered their replies. Meetings were also held with the representatives of the Ministry of Defence and the Ministry of Railways.

3.03 A short note giving history of Military traffic rates is given in Annexure 3.3.

Special features of Military Tariff Rates

3.04 Some of the special features of Military tariff are given below :—

- (i) The military tariff rates are basically a contract rates agreed upon between the Defence Ministry and the Railway Ministry.
- (ii) A few commodities like coal, coal-shale, coke, patent fuel and explosives are charged at public tariff rates.
- (iii) With regard to other general goods traffic in wagon loads, contract rates are levied at flat wagon kilometre rates.
- (iv) Passenger traffic in full coaches are also charged at contract rates on vehicle kilometre basis.

3.05 Military tariff rates have been periodically revised by mutual agreement in 1908, 1910, 1923, 1957, 1960, 1963 and 1968. In 1972, however, it was decided to have an annual revision of rates irrespective of the fact whether there is a revision of the rates for public traffic. This annual revision is based on the average cost of haulage of wagons/vehicles. The costs applied to a particular year are, however, the figures pertaining to the third preceding year.

Extent of Concession and anomalies in flat rate system

3.06 In view of the fact that the costs that were applicable in a particular year were those

pertaining to the third preceding year, there has always been a certain element of concession in the actual rates charged to the Military traffic, vis-a-vis the actual costs of haulage. The extent of this concession has, however, been varying from time to time, the quantum of concession depending upon the extent and periodicity of revision of the public tariff rates.

3.07 One general point which may be mentioned at this stage is the fact that from 1973 onwards, the military tariffs both for coaching and goods were being revised every year to reflect the escalation in the costs. The public tariff rates, particularly, on the coaching side, were not being increased over long spells, though on the freight side, there have been periodical supplementary charges. Also, the vehicle kilometre rates for the Military tariff being a flat rate and as the public tariff rates for passengers are telescopic for longer distances, the military tariff rates happen to be even more than the public tariff rates for certain long distances. This is a point which has been stressed by the Defence Ministry in their discussions with the Railways although for shorter distances the rates are cheaper than for public.

3.08 The Defence Ministry in their replies to the questionnaire and in their discussions with us have stressed the point that historically, military tariff has been dealt with on a footing different from public tariffs and that they have had the benefit of certain concessions over the years which should be continued and any rates that are proposed should be simple from the procedural and accounting point of view. They have also stressed the point that care has to be taken to see that the impact of the military tariffs is not unduly high on the Defence budget.

Charging of Military Traffic on Dependent Cost Basis

3.09 We find that the charging of military traffic is on the principle that the tariffs should be based on the costs of haulage. In view, however, of the fact that the rates prescribed for a particular year are on the basis of the costs of the third preceding year, the traffic has been getting a certain concession which is approximately of the order of 20 per cent. We are of the view that, by and large, military tariffs should be based on costs of transportation. In view, however, of the fact that military traffic is of a special nature and is being charged at

special contract rates over the years involving a certain amount of concession, we recommend that military tariffs should be based only on dependent costs and not the fully-distributed costs. In this view, we are suggesting tariffs at 20 per cent less than the full costs of haulage, as, generally, dependent costs are of the order of about 80 per cent of the fully distributed costs.

Rates for Main Items of Traffic

3.10 We discuss below the various items of military traffic carried by Railways and our recommendations in regard to the traffic.

Military Goods Traffic Chargeable at Public Tariff Rates

Goods Traffic in Wagon Loads:

3.11 As, traditionally, coal, coal-shale, coke, patent fuel and explosives and other dangerous goods, kerosene oil and liquid fuel, non-dangerous goods carried in tank wagon, etc., have been charged at public tariff rates when booked for the military also, we recommend that this position should continue.

Rates for Wagon Loads

3.12 As far as general goods is concerned military traffic at present being booked at wagon kilometre rates irrespective of the kind of commodity loaded. It has been represented to us that the simple procedure involved in this method should continue as detailed working out of the freight, taking into account different classification rates for different commodities loaded, computing their rates, etc., would make the procedure cumbersome for the field units. It is also not necessary to charge different commodities offered by the military at different classification rates based on the value of service principle, because these commodities are not being transported for marketing or for commercial use in the ordinary sense of the term. We are, therefore, of the view that the present simple method of charging an omnibus charge irrespective of the commodities offered for booking should continue. We recommend that the procedure of treating all articles offered by military as military stores may be continued except those already being charged at public tariff rates. At the same time, the rate has to be cost-based.

3.13 In our proposals for the new freight structure for the public* we have made use of the detailed cost figures available and have evolved various classes in the freight structure, the freight levels for different commodities being fixed also with reference to the value of service

and other transportation characteristics. However, the 100th class in the freight structure proposed by us will cover the fully distributed costs on the basis of a pay-load of 19 tonnes for all leads of traffic. In view, however, of the fact that traditionally, military traffic has been enjoying a certain amount of concession compared to the public tariff rates, we would suggest that on the basis of dependent cost, a 20 per cent concession may be given on this rate. Accordingly, a wagon-rate based on the 100 class less 20 per cent for a pay-load of 19 tonnes has been worked out and is given in Statement 3.1. This rate will have a telescopic taper unlike the present wagon kilometre rate which is a flat rate. This rate will have to be reviewed with the escalation of cost of the Railways as and when the public tariff rates are increased in tune with the increase in costs.

3.14 In making comparison with the existing level of the military tariff rates, it has to be borne in mind that the costs of railways have considerably increased and we have suggested in our main report that several elements which have now not been included in the costs should also be included in the cost of Railways and if all these are taken into account, the wagon kilometre rate as is being now arrived at for the 3rd preceding year is also bound to be much higher than what it is existing today. It would, therefore, be appropriate to escalate the 1976-77 rate by 30 per cent to arrive at the escalated cost that would be charged on the old basis. A comparison of the rates recommended has, therefore, been given on the basis of wagon kilometre rate escalated by 30 per cent.

Rates for Smalls

Smalls Traffic :

3.15 We have proposed† a system of charging 'smalls' to the public in which each commodity has got an appropriate 'smalls' classification, at a higher level than the wagon-load classification. The normal scheme is 8 classes higher than the normal wagon classification rate. There is also a gradation of the classification rate on the basis of quantities offered for booking as 'smalls'. We recommend that the 'smalls' traffic may be charged on the basis of the 'smalls' rate classification corresponding to the 100th class. (For 3 tonnes and over) namely, class 125. Here also, we recommend a 20 per cent concession over the rate worked out accordingly. The proposed rates are given in the Statement 3.2.

3.16 The minimum charge per consignment and the minimum distance for charge and the

*Main Report of RTEC, April 1980.

†Main Report of Rail Tariff Enquiry Committee, April, 1980.

minimum weight for charge may also be made applicable to military traffic, as applicable to public traffic.

Rates for Coaching Traffic

Coaching:

3.17 We find that as far as passengers travelling in special trains and full coaches are concerned, they are at present being charged at vehicle kilometre rates on the principle of cost-based charging. This also is done on the basis of the figures of weighted average cost of hauling a vehicle (including interest) for BG and MG per kilometre during the third preceding year for the year in question. This being a flat rate, the Defence Department are not getting the benefit of telescopic principle of charging public fares. Here also, we consider that the charges should be based on the fare we have proposed* for a second class Mail/Express for a full coach on the basis of 72 persons per coach which is the weighted average capacity for BG & MG together. As sleeper accommodation is provided, this rate may be inflated by 25 per cent to cover the element of sleeper charge. This would give a full coach rate which would also have a telescopic taper with distances. Here again, as military traffic has been traditionally given a certain amount of concession, we recommend a 20 per cent concession over the full tariff rates*. The same vehicle rate will apply for a First Class coach also.

3.18 There is no need of minimum charge per military vehicle of every description over each railway as given in Rule 201(4) of Military Tariff No. 5.

3.19 The proposed rates compared with the 1976-77 rates escalated by 30% are given in Statement 3.3.

Rates for Military Stores, Carried in Coaching Vehicles

3.20 For military stores carried in coaching vehicles we are suggesting a separate rate based on the baggage rate by coaching trains vide para 3.23 below.

Baggage Rates

3.21 Prior to 1973-74, baggage used to be charged at the same rate as for 'smalls'. However, since 1973-74, this rate has been increased on the basis of percentage increase in the vehicle kilometre rate over the 1963-64 rate. The baggage rate which was 0.56 paise in 1963-64 has increased to 1.73 paise per quintal per kilometre in 1977-78. This flat rate does not give the advantage of telescoping taper at longer leads.

We have recommended a General Parcel Scale for the public in our Main Report, which is telescopic. We recommend that baggage may also be charged at the proposed General Parcel Scale less 20%. The 1976-77 rates escalated by 30% and proposed rates are given in Statement 3.4.

3.22 The minimum charge per consignment and the minimum distance for charge may be made applicable to Military traffic as applicable to public traffic.

Rates for Military Stores carried in Coaching Vehicles

3.23 Military stores/baggage carried in coaching vehicles may be charged at vehicle rate worked out on the basis of proposed above baggage rate, i.e., GP Scale rate for a pay-load of 6 tonnes less 20 per cent. The proposed rates are given in Statement 3.5.

Siding Charges

3.24 We find that the siding charge which was fixed at Rs. 10 per wagon or vehicle in 1957 has been increased on *ad-hoc* basis by taking the percentage increase in the wagon kilometre rates. The present rate is Rs. 28.11 per loaded wagon or vehicle (including dummy vehicles or wagon where used) of every description (*i.e.*, 4-wheeled, 6-wheeler or bogie) in each direction, calculated on the number of vehicles or wagon used by the despatching station in addition to the freight charges. This charge is levied uniformly irrespective of the distance of the siding. In our proposals for public traffic we are suggesting levying of siding charges on the principle of discontinuous kilometrage basis. We, therefore, recommend that in the case of military traffic also, the siding charges may be levied on discontinuous kilometrage basis on the actual length of the siding at wagon rate for a pay load of 19 tonnes for 100th Class less 20 per cent excluding terminal charge. This rate will work out to Rs. 4.46 for a 4-wheeled wagon per kilometre. This rate may be made applicable to a 4-wheeled wagon or vehicle (including dummy vehicles or wagons where used) in each direction calculated on the number of vehicles or wagons used by the despatching station in addition to the freight charges. For the purpose of levying siding charges bogies will be counted as 2 wagons, 6-wheelers as for 1½ times of a 4-wheeled wagon and other stock as given in the Note appearing below Rule 301(a) of Military Tariff No. 5.

Basis of Charge for all items

3.25 The present basis and proposed basis for levying charges for all items of Military traffic are given in Statement 3.6

*Main Report of the Rail Tariff Enquiry Committee, April 1980.

Concession for Travel by I Class and II Class

Concessions :

3.26 We find that at present in respect of I Class journeys no concession is given to Military personnel travelling on leave or at their own expenses. It is only for journeys on duty, military couriers, servants in attendance of invalid passengers, insane officers with escort, lying down accommodation for personnel of Armed Forces, etc., 40 per cent concession is given. We recommend 20 per cent concession may be given instead of 40 per cent.

3.27 In respect of II Class journeys, on concession is given for travelling on duty.

3.28 In respect of journeys by II Class, JCOs, NCOs, etc., and their families, when proceeding on leave or at their own expenses and also all ranks, etc., for participating in tournaments, matches, State Ambulance Competitions, etc., are given 50 per cent concession, details of which are given in Appendix II/2 or Military Tariff. We recommend that all the existing concessions should continue.

Warrants and Concession Vouchers

Miscellaneous Items :

3.29 At present, there is no separate Warrant Form authorising officers of the rank of Major General, Brigadiers and Colonels for travelling by air-conditioned I Class. Warrants for I Class are exchanged and the difference between I Class fare and ACC I Class fare is paid in cash for obtaining an ACC I Class ticket. A separate Warrant Form for travel by ACC I Class accommodation may be evolved so that Military officers can easily exchange this warrant without any cash transaction.

Warrant Forms I AFT 1707 & 1752:

3.30 When Defence personnel proceed on transfer, they are now being issued warrant forms I AFT 1707 & 1752 which is to be exchanged for a Check Soldiers ticket before the commencement of journeys. This warrant is combined for carriage of luggage by passenger train as well as for the journey by army personnel. This causes hardship to the Defence personnel because Railways have a general rule that no reservation can be done without issue of proper ticket/pass. In case of Military warrants, reservation is permissible when it is exchanged for a check soldiers ticket, but it is not possible to book the luggage much in advance of the date of journey, whereas the pressure on reserved accommodation makes it necessary to make booking substantially in advance. It is, therefore, recommended that a separate warrant form for booking luggage by passenger trains may be evolved on the lines of the Form I AFT 1733 which authorises carriage of unaccompanied

luggage by goods train. This will enable the Warrant holder to exchange the warrant for a ticket for advance booking and to book the luggage on the day of the journey on a luggage Warrant Form.

Charges for Special Trains and Other Items

Special Trains:

3.31 Rule 501 of Military Tariff No. 5 lays down that the minimum number of vehicles or wagons to be paid for at vehicle kilometre for special trains is 20 four wheeled vehicles or wagons. Now with the introduction of diesel traction and electric traction, the load of trains have increased from 60 to 70 vehicles/wagons. We therefore, recommend that the minimum number of vehicles or wagons to be charged be raised to 40. At present, the minimum charge per train is fixed on an *ad-hoc* basis, as the rates are uniform vehicle kilometre rates. We recommend that Military Special Trains may be charged at coaching rates for traffic carried in coaching stock under Rule 201(4) and at goods rate for traffic carried in goods wagons, under Rule 301 of Military tariff. Instead of the minimum charge for special trains, minimum distance for charges to 50 kilometres per train may be fixed.

Registration fee for placing Indents:

3.32 The present procedure provides for placement of indents for wagons for carrying military stores, but no registration fee is charged. As a result, very often the Military authorities do not register their demands at the stations but directly approach the Divisional Office for supply of stock. Due to non-registration, the pending demand does not figure in the line and stock report which is the basic document through which the Railway regulates its supply of wagons. Further, there are numerous cases where the stock is supplied as per demand but not utilised. In the present context of shortage of wagons and heavy demands for moving essential traffic such as foodgrains, fertilisers, etc., non-utilisation of stock must be discouraged. Demurrage charges can be levied but, in practice, it is not done so as to avoid outstandings. It is recommended that wagon registration fee may be levied for Military traffic also and forfeited when the stock is not utilised. No registration fee, however, need be levied on rolling stock owned by Defence Department such as MBTUs etc., as empty haulage charges are paid in their case to the Railways.

Detention to Stock en-route:

3.33 As per Rule 707(2), stock delayed beyond 30 minutes at starting station or at a station where troops entrain en route owing to the fault of the Military authorities, detention charges are levied for engine-power and vehicle or wagon in respect of Military Special Personnel trains. It has been pointed out that the trains

suffer detention on military account also at stations where troops are not entrained. The stock on a special train delayed en route at a station other than that authorised for entraining troops, cannot be charged with detention charges the rule may be amended to provide for detention charges on stock delayed for more than 30 minutes at originating and terminating stations or en route owing to the requirements of Military authorities.

Refund Rules:

3.34 Rule 128 pertaining to advance reservation of accommodation may be modified to raise the time limit for advance reservation to six months as in the case of public traffic. Under the revised refund rules introduced in 1976, a passenger who has lost a reserved ticket can be authorised to travel on his reservation by issue of a duplicate paper ticket by paying 25% of the fare only. However, this facility has not been extended to Military personnel travelling on check soliders ticket exchanged for a warrant under rule 128(6). It is recommended that this facility may be provided to Military personnel by amending the rule suitably.

Saloons for High Officials:

3.35 Under Rule 201(1), the special charges for the haulage of carriage reserved for the High Officials of Defence Services when travelling on duty by Railways, are levied only for the carriage provided by the Military. Sometimes the saloons owned by Railways are utilised by the Army Officers for which the haulage charges are not indicated. The haulage charges given in Appendix II/I may be made applicable to saloons provided by the Railways.

Passenger Fare Tax of 1957

3.36 We find that as per Rule 210 of Military Tariff, Passenger Fare Tax of 1957 is still being levied in the following cases :—

- (a) Haulage of Military Ambulance and kitchen Cars, Aeroplanes vehicles and Military Crocodile trucks.
- (b) Haulage charges on all types of Military special trains including combined passenger and stores special trains booked under S.T. or Special Tickets.
- (c) Haulage charges on goods wagons for baggage purpose attached to passenger special trains on which charges at Military coaching traffic rate are computed.
- (d) Haulage of all carriages for which charges are calculated at vehicle kilometre rate laid down in Rule 201(4). The term 'haulage' for the purpose includes empty haulage also.

3.37 The main argument put forth by the Railways for levy of this tax on haulage charges is that passenger fare tax of 1957 was merged with the basic fare and in regard to Military passengers travelling on warrants the amount in lieu of tax is automatically realised, whereas in the case of military passengers travelling by special trains and reserved carriages, the haulage charges for such vehicles being leviable on kilometre basis, this element of tax could not be realised on account of varying scales of rates of tax over different distance slabs. This tax is being levied in consultation with the Ministry of Law.

3.38 In our proposals, we have suggested an integrated charge the basis for charge being the public tariff rates with a concession of 20% on the same telescopic fare structure. Since special trains will be charged on this basis, there would be no justification for levying this tax on special trains.

Accident Compensation Charge

3.39 It has been brought to our notice that Ministry of Defence (CDA/FYs, Calcutta) has not accepted the Accident Compensation charges levied by the Railways on Military special trains.

3.40 We find that an extra charge varying from 5 paise to Re. 1 has been levied on all passengers travelling both by Suburban and Non-suburban trains towards Accident Compensation from 1-4-1974. Subsequently, it has been merged with the basic fare. In the revised fare basis that we are proposing, the vehicle rate is being related to the public tariff rate. In the circumstances, it is not necessary to levy a separate accident compensation charges for military special trains.

Chargeable distances for calculation of rates

3.41 Rule 125 of Military Tariff No. 5 lays down the block distances for charge and also calculated rates for distances from 1 to 5000 kms. are given in Annexure D to Military Tariff No. 5. In our proposals, we have suggested adoption of telescopic fare structure of rates for wagonloads, smalls, coaching traffic and baggage. We, therefore, recommend that the block distances as applicable to public traffic may be adopted for Military traffic also and Rule 125 may be amended suitably.

Basis for Charging Various Miscellaneous Items of Traffic

3.42 We find that since 1973-74, some items of military traffic such as cycles, dogs, livestock carried in excess of carrying capacity, haulage charges for saloons, charges for detention to

stock, local charges for siding etc. are being charged on ad hoc basis by escalating the previous years rates by the same percentage increase in the vehicle/wagon kilometre rates. We recommend that these charges may be charged as applicable to public traffic less 20%.

Social Burdens Committee Recommendations

3.43 The Social Burdens Committee has recommended that military traffic should be charged in the same way as public traffic. We have also taken the view that military traffic should be based on costs and have proposed rates that would cover costs though not contributing to the surplus. We do not however, agree that military traffic should be dealt with in the same way as the public traffic as this would make the procedures very cumbersome both to the users and the Railways.

Future Revision of Military Tariff Rules

Future Revision of Rates:

3.44 A review of Military Tariff rates should be made whenever there is an increase in the Public Tariff rates and rates may be revised as per the principles laid down in our proposals.

3.45 The percentage of concession may also be reviewed once in five years to ensure that Military traffic rates cover the dependent costs.

Earnings from Military Traffic

3.46 The earning from Military Traffic during the last 10 years are given in Statement 3.7.

3.47 Our proposals relate mostly to Military traffic carried at concessional contract rates which is about 44% of the total military traffic and the additional earning on account of our proposals would be of the order of Rs. 15 crores.

Revision of Military Tariff No. 5

3.48 We find that Military Tariff No. 5 is in force from September, 1975. However, a perusal of the Tariff indicates that no effective revision of out-dated rules was done in 1975. There are numerous references to instructions and circulars which are very old and do not conform to the present day Railway working and practices. This is a voluminous job and beyond the scope of the Committee's work. We, however, strongly urge that a through revision of Military Tariff should be got done by the Railway Board in consultation with representatives of Ministry of Defence, Army Hqrs., and some Railways, and the IRCA. The object should be to streamline, simplify and rationalise the rules keeping in view the existing Railways rules for the public, changed conditions and practices and avoidance of hardship to the Army personnel travelling on duty or on leave.

STATEMENT—3-1

Proposed Goods Rates for Wagon-Loads

Distance in Kms.	Goods Rates		
	1976-77 wagon Km. Rate of 91 paise escalated by 30% 118 paise per wagon per km.	Proposed Rates	
	(Rs. per 4 wheeled wagon)	Wagon-Rate for a payload of 19 tonnes at 100th class Rate (including terminal charge) (Rs. per 4 wheeled wagon)	20% less than the Rate given in Col. 3. (Rs. per 4 wheeled wagon)
1	2	3	4
100	115	589	471
200	233	857	686
300	351	1,081	865
400	469	1,264	1,011
500	587	1,446	1,157
600	702	1,617	1,294
700	820	1,786	1,429
800	938	1,955	1,564
900	1,056	2,111	1,689
1000	1,174	2,269	1,815
1100	1,292	2,424	1,939
1200	1,410	2,580	2,064
1400	1,646	2,867	2,294
1600	1,882	3,152	2,522
1800	2,118	3,411	2,729
2000	2,354	3,671	2,937
2200	2,566	3,920	3,136
2400	2,802	4,117	3,337
2600	3,038	4,416	3,533
2800	3,274	4,657	3,726
3000	3,510	4,898	3,918

NOTE—The rate of the highest distance of the block will have to be taken for calculating the rate for that distance block.

1—50 kms.	One block
51—250 "	5 km.
251—800 "	10 "
801—2400 "	25 "
Beyond 2400 "	50 "

This wagon rate is applicable to a 4-wheeled wagon BG, or MG or NG.

STATEMENT—3·2

Proposed Rates for 'Smalls' Traffic

Distance in Kms.	Small Rates		
	1976-77 Rate of 1·49 Paise escalated by 30% works out to 1·94 paise per Qtl. per km.	Proposed rates Class 125th Rate for 'smalls' (including a terminal charge of Rs. 2·25 per Qtl.)	20% less than the rate given in Column (3)
	(Rate per Qtl.)	(Rate per Qtl.)	(Rate per Qtl.)
1	2	3	4*
	Rs.	Rs.	Rs.
100	1·89	5·19	4·15
200	3·83	6·95	5·56
300	5·77	8·43	6·74
400	7·71	9·63	7·70
500	9·65	10·83	8·66
600	11·54	11·95	9·56
700	13·48	13·06	10·45
800	15·42	14·18	11·34
900	17·36	15·20	12·16
1000	19·30	16·24	12·99
1100	21·24	17·26	13·80
1200	23·18	18·29	14·63
1400	27·06	20·17	16·13
1600	30·94	22·05	17·64
1800	34·82	23·75	19·00
2000	38·70	25·46	20·37
2200	42·19	27·10	21·68
2400	46·08	28·75	23·00
2600	49·96	30·36	24·29
2800	54·22	31·95	25·56
3000	57·72	33·54	26·83

*NOTE—The rate of the highest distance of the Block will have to be taken for calculating the rate for that distance Block :—

1—50 km	One block
51—250 km	5 km.
251—800 km	10 km.
801—2400 km	25 km.
Beyond 2400 km	50 km.

The minimum distance for charge, the minimum charge per consignment and minimum weight for charge will apply as in the case of Public traffic.

STATEMENT—3·3

Proposed Rates for Passenger Coaches

Distance in Kms.	Passenger Coach Rates		
	1976-77 rate 136 paise per vehicle per km escalated by 30% works out to 177 paise per vehicle per km. or Rs. 3·54 per bogie per km.	Proposed Rates Charge for a full coach at II class Mail/Express fares for 72 persons plus 25% to cover Sleeper charge.	
		20% less than the Rate given in col. (3).	
	(Rs. per bogie)	(Rs. per bogie)	
1	2	3	4
100	345	66	529
200	699	1,224	919
300	1,053	1,728	1,382
400	1,407	2,214	1,771
500	1,761	2,628	2,102
600	2,106	3,043	2,434
700	2,460	3,448	2,758
800	2,814	3,834	3,067
900	3,168	4,176	3,341
1000	3,522	4,545	3,636
1100	3,876	4,860	3,888
1200	4,230	5,220	4,176
1400	4,938	5,850	4,680
1600	5,646	6,480	5,184
1800	6,354	7,110	5,688
2000	7,062	7,740	6,192
2200	7,699	8,370	6,696
2400	8,408	9,000	7,200
2600	9,115	9,630	7,704
2800	9,823	1,026	8,208
3000	10,531	10,890	8,712

NOTE—Rate of the half-stage of the Block will have to be taken for calculating the rate for that distance Block:—

1—100 km	1 km. Block
101—300 km	5 km.
301—1000 "	10 "
1001—2500 "	25 "
Beyond 2500 "	50 "

This rate is applicable for a passenger bogie II class or I class, BG, or MG, or NG

STATEMENT—3·4

Proposed Rates for Baggage

Distance in Kms.	Baggage Rates		
	1976-77 Rate of 1·73 paise escalated by 30% works out 2·28 paise per Qtl. per km.	Proposed Rates	
		General Par- cel scale Rate per quintal.	20% less than the rate given in Col. (3).
	(Rate per Qtl.)	(Rate per Qtl.)	(Rate per Qtl.)
1	2	3	4
	Rs.	Rs.	Rs.
100	2·23	15·00	12·00
200	4·50	22·60	18·08
300	6·78	29·00	23·20
400	9·08	34·80	27·84
500	11·34	40·60	32·48
600	13·57	46·40	37·12
700	15·85	52·20	41·76
800	18·13	58·00	46·40
900	20·41	63·80	51·04
1000	22·69	69·00	55·20
1100	24·97	74·20	59·36
1200	27·25	79·40	63·52
1400	31·81	89·80	71·84
1600	36·37	99·00	79·20
1800	40·93	107·00	85·60
2000	45·49	115·00	92·00
2200	49·59	123·00	98·40
2400	54·15	131·00	104·80
2600	58·71	139·00	111·20
2800	63·27	147·00	117·60
3000	67·83	155·00	124·00

NOTE—Rates at the highest distance of the Block will have to be taken for calculating the rate for that distance Block:—

1—50 km	one Block
51—500 km	10 km.
501—2000 km	25 km.
Beyond 2000 km.	50 km.

The minimum charge per consignment, the minimum weight for charge and the minimum distance for charge will apply as in the case of Public Traffic.

STATEMENT—3·5

Proposed Rates for Coaching Vehicles

Distance in Kms.	Coaching Vehicles Rates	
	Proposed Rates	
	Charge for a 4-wheeled vehicle at general Parcel scale rates for a pay-load of 6 tonnes	20% less than the rate given in col. (2).
1	2	3
	Rs.	Rs.
100	900	720
200	1,356	1,085
300	1,740	1,392
400	2,088	1,670
500	2,436	1,949
600	2,784	2,227
700	3,132	2,506
800	3,480	2,784
900	3,828	3,062
1000	4,140	3,312
1100	4,452	3,562
1200	4,764	3,811
1400	5,388	4,310
1600	5,940	4,752
1800	6,420	5,136
2000	6,900	5,520
2200	7,380	5,904
2400	7,860	6,288
2600	8,340	6,672
2800	8,820	7,056
3000	9,300	7,440

NOTE—Rates at the highest distance of the block will have to be taken for calculating the rate for that distance Block.

1—50 km	One Block
51—500 km	10 kms
501—2000 km	25 km
Beyond 2000 km	50 kms.

These rates are applicable to a 4-wheeled vehicle BG or MG or NG in which Baggage/Military stores etc. (other than passengers) are carried.

STATEMENT—3·6

*Proposed Basis for Fixation of Rates***BASIS FOR FIXATION OF RATES FOR VARIOUS ITEMS OF MILITARY TRAFFIC**

S. Rule No.	Brief description of traffic	
1	2	3
	<i>Existing Basis</i>	<i>Proposed Basis</i>
1. 301(a) & 301 (b)	<p>Goods traffic excluding Coal, coal-shale coke, patent fuel, and explosives.</p> <p>The wagon kilometre rate is fixed on the basis of weighted average cost of hauling a wagon per kilometre (including interest) for B.G. & M.G. during the third preceding financial year to the year in question.</p> <p>Based on the cost figures of 1974-75, the existing flat rate has been fixed at 87 Paise per wagon per km.</p>	<p>It is proposed to link this rate with public tariff rates so that whenever there is an increase in the public tariff rates, there will be a corresponding increase in the Military Tariff Rates.</p> <p>In the proposed freight structure for public tariff 100th class covers fully the distributed coasts for a payload of 19 tonnes for all loads of traffic. However a concession of 20% over this rate may be given for Military traffic. A wagon rate for a pay-load of 19 tonnes at 100th class-rate less 20% may be fixed for a four-wheeled wagon(BG or MG or NG) with a telescopic fare structure.</p> <p>The proposed rates are given in <i>Statement 3·1</i>.</p>
2.	<p><i>Minimum charge per wagon over each Railway</i></p> <p>The wagon-kilometre flat rate is chargeable for through distance subject to a minimum charge per wagon of every description over each Railway. From 1973-74 onwards, this rate has been increased by the percentage increase in the wagon kilometre rate over the previous years. Thus the rate of 1963-64 has been escalated from year to year on an <i>ad hoc</i> basis. The present rate is Rs. 25-56 per wagon.</p>	<p>Since the wagon-load traffic is proposed to be charged on public tariff basis, instead of minimum charge per wagon over each Railway, minimum distance for charge as applicable to public traffic will apply to military traffic also.</p>
3.	<p><i>Smalls (excluding coal, coal-shale, coke, patent fuel and explosives).</i></p> <p>The flat rate for 'Smalls' traffic was fixed on the basis of old first class rate for goods traffic taking the first leg of 300 miles or 481 kms. In 1963-64 also while revising the rate the same principle was followed by taking Class -55-B rate (equivalent to old first class rate) for a load of 481 kms. and the average rate per quintal worked out to 60 paise per Quintal per km. However, it was reduced to 56 paise as desired by Defence Ministry. At the time of implementing 1972-agreement, in 1973-74, this rate has been escalated by the percentage increase in the wagon km. rate over the previous year. Thus rate of 1963-64 was increased from year to year. The existing rate is 1·43 paise per Qtl. per km. based on the increase in costs in 1974-75.</p>	<p>For 'smalls' traffic also, a public tariff rate would give the advantage of telescopic taper at longer leads to the Military traffic. Therefore, for 100th class wagon-load rate, the corresponding smalls class rate of 125th class (over 3-tonnes rate) with a concession of 20% over this rate may be fixed. The proposed rates are given in the <i>Statement 3·2</i>.</p>
4.	<p><i>Minimum charge per consignment.</i></p> <p>The existing minimum charge has been fixed by escalating the previous rate on the basis of percentage increase in wagon kilometre rates, as the Ministry of Defence did not agree to the Public tariff rate for this item. The existing rate is Rs. 5-99.</p>	<p>The minimum charge per consignment, the minimum weight per consignment and the minimum distance for charge may also be fixed as for Public traffic.</p>
II. COACHING		
5. 201 (4).	<p><i>Vehicle Kilometre Rates</i></p> <p>As in the case of goods traffic, the vehicle kilometre flat rate is also fixed on the basis of weighted average cost of hauling a vehicle per kilometre (including interest for BG & MG, during the third preceding financial year to the year in question.</p>	<p>It is proposed to link this rate also with the public tariff rate so that as and when the public tariff rate is increased the Military tariff rate will also be increased correspondingly.</p>

1	2	3
	Based on the cost of haulage during 1974-75 the existing vehicle kilometre rate has been fixed at Rs. 1·34 per 4-wheeled vehicle BG or MG or NG per kilometre.	(i) The basis for charge for a full coach will be II Class Mail/Express fare for 72 persons with an element of concession of 20%. Therefore, charge for a Passenger Bogie may be fixed by taking the II Class Mail/Express fares for 72 persons, and inflating this rate by 25% to cover the element of sleeper charges less 20% with a telescopic fare structure. This rate will be applicable to a Passenger Coach BG or MG or NG including I class Bogie. The proposed rates are given in the <i>statement 3·3</i> (ii) For Baggage/Military stores carried in coaching vehicle a separate vehicle rate based on Baggage rate at General Parcel Scale for a pay-load of 6 tonnes less 20% may be fixed. This is applicable to a four-wheeled vehicle (other than passenger-coach) with a telescopic fare structure. The proposed rates are given in <i>Statement 3·5</i> .
6.	<i>Minimum charge per vehicle over each Railway</i> The flat vehicle km. rates are chargeable on the through distance subject to a minimum charge per military vehicle of every description over each railway. As in the case of goods traffic this rate has also been fixed by escalating the previous rate by the percentage increase in vehicle km rates. The present rate is Rs. 30·82 per vehicle over each railway.	Since it is proposed to levy charges on public tariff rates basis, there is no need for minimum charge per vehicle over each railway.
7. 203	<i>Baggage</i> Prior to 1973-74, the baggage rate and the rate for smalls was one and the same. At the time of implementing 1972-agreement in 1973-74, the baggage rate of 1963-64 was escalated by the percentage increase in vehicle km. rate over the 1963-64 vehicle km. rate. Thereafter, every year this has been increased on the percentage increase in Vehicle km. rates. The existing rate is 1·73 paise per quintal per km.	The Baggage rate may also be related to Public tariff rate with 20% concession. The baggage rate may be fixed at General Parcel Scale rate in our proposed scales for public tariff rates less 20% for all distances. The proposed rates are given in <i>Statement 3·3</i>
8.	Similarly, the minimum charge per consignment has also been fixed and the existing rate is Rs. 5·41 per consignment.	The minimum charge per consignment, the minimum distance for charge and the minimum weight per consignment will be the same as applicable to public traffic.
9. 704 (1)	<i>Charge for Military Sidings</i> Prior to 1-6-1957, the siding charge as Rs. 5/- per wagon/vehicle and this was increased to Rs. 10/- from 1-6-57 and Rs. 11/- from 1-4-63 on the basis of increase in costs. While implementing the 1972-Agreement in 1973-74, this charge was also revised from 1973-74 onwards on the basis of percentage increase in the wagon km. rates over the previous years. The existing rate is Rs. 28·11 and levied per loaded vehicle or wagon (including dummy vehicles or wagon where used) of every description (i.e. four-wheeler, six-wheeler or bogie) in each direction calculated on the number of vehicle or wagon used by the despatching station in addition to freight.	It is proposed to adopt the same basis as for public traffic. The siding charges for Military traffic may be levied on discontinuous kilometrage basis on the actual distance (length) of the siding at a wagon rate for a pay-load of 19 tonnes at 100th class rate excluding terminal charges, less 20%. This rate will be applicable to a four-wheeled loaded vehicle or wagon (including dummy vehicles or wagons where use) in each direction calculate on the number of vehicle or wagons used by despatching station in addition to freight. For the purpose of levying siding charges, bogies will be counted as 2 vehicles or wagons, six-wheelers at 1½ time of a four-wheeler and other stock as given in Rule 301 (a).
10. 206	<i>Cycle when carried as part of luggage at contract rate.</i> Prior to 1963-64 the rates for cycles smalls, and baggage were one and the same. Later on this was fixed slightly more than the baggage rate. As stated above from 1973-74 annual revision has been made. The existing rate is 2·07 paise per Quintal as against the baggage rate of 1·73 paise per quintal per km.	This item of Military tariff may also be charged a Public tariff rates, less 20% being the concession.

1	2	3						
11.	<p>102 S. No. 21 of Annexure-A.</p> <p>Soldiers' and Airmens' dogs entered on Military Warrants and carried by ordinary trains in Brake-vans, excluding reserved Military vehicles and wagons attached thereto.</p> <p>Prior to 1973-74 the basis for fixing this rate was 50% less than public tariff rate. There was an anomaly that is the blocks for Military traffic were double the distance blocks for public traffic of 80 kms. From the 1973-74 the old rates have been revised on the basis of percentage increase in vehicle km. rates. The existing rates are given below :</p> <p>1-160 kms. for each dog—Re. 0·77</p> <p>161-320 kms. for each dog—Rs. 1·55</p> <p>321-640 kms. for each dog—Rs. 3·09</p> <p>641-1280 kms. for each dog—Rs. 4·64</p> <p>1281-1920 kms. for each dog—Rs. 6·77</p> <p>Beyond 1920 kms. (For every 320 kms. or part in addition) —Re. 0·77</p>	<p>This item of Military tariff may also be charged at Public rates, less 20% being the concession.</p>						
12.	<p><i>Appendix II/I.</i></p> <p>Special charges for haulage of carriages reserved for High Officials of Defence Services, when travelling on duty. Haulage charges for saloons provided by Military.</p> <p>These charges were fixed on the basis of haulage charges levied for saloons of other Govt. Deptt. High Officials as given in Coaching Tariff. Since 1973-74, these charges were revised on the basis of percentage increase in vehicle kilometre rates, they have exceeded the coaching tariff rates also.</p>	<p>These rates may be fixed as for High officials of other Govt. Deptts. as given in Coaching Tariff.</p> <p>These rates may also be made applicable to Railway Saloons provided to Defence Officers sometimes, by the Railways.</p>						
	The comparative rates are given below:							
	<table border="0"> <tr> <td style="text-align: center;">Military Tariff Rates</td> <td style="text-align: center;">Coaching Tariff Rates</td> </tr> <tr> <td style="text-align: center;">⏟</td> <td style="text-align: center;">⏟</td> </tr> <tr> <td style="text-align: center;">Rs.</td> <td style="text-align: center;">Rs.</td> </tr> </table>	Military Tariff Rates	Coaching Tariff Rates	⏟	⏟	Rs.	Rs.	
Military Tariff Rates	Coaching Tariff Rates							
⏟	⏟							
Rs.	Rs.							
	<i>B.G.</i>							
	<i>(i) Other than Bogie</i>							
	Loaded	1·64 1·05 per km.						
	Empty	0·67 0·45 " "						
	<i>(ii) 6-Wheelers</i>							
	Loaded	1·64 1·05 " "						
	Empty	0·67 0·45 " "						
	<i>(iii) Bogies</i>							
	Loaded	2·15 1·35 " "						
	Empty	1·36 0·90 " "						
	<i>MG or NG</i>							
	<i>(i) Four-wheeler</i>							
	Loaded	0·79 0·50 " "						
	Empty	0·67 0·45 " "						
	<i>(ii) 6-wheeler</i>							
	Loaded	1·20 0·80 " "						
	Empty	1·01 0·70 " "						

1	2	3
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(iii) Bogie

Loaded	1·58	1·05	,,	,,
Empty	1·34	0·90	,,	,,

13. S. Nos. 15 & 16 of Appendix II/2.

Return Horse Carriage and Dog ticket available for eight months, for horses belonging to Officers and Soldiers of the Army when competing in any match, competition or tournament and to Troopers of Cavalry proceeding on furlough.

This rate was based on the Public tariff rates. However, since 1973-74, onwards, they have been increased on the basis of costs. The existing rates are given below :—

	Military Tariff Rates	*Public Tariff Rates
	Rs.	Rs.
4-wheeler per km. BG	0·79	0·63
4-wheeler per MG or NG	0·50	0·47
Minimum charge per four-wheeler	23·83	50·00

This item of Military traffic may also be charged at Public Tariff rates given vide S. No. 31 of Coaching Tariff, Vol. II Railway Concessions, less 20%.

*Return tickets are available only for three months.

Note below Rule 401

14. 401 Live stock in excess of carrying capacity.
(i) Per charger or other animals except dogs.
(ii) For each dog.
15. 403 For additional private horses booked along with charger belonging to Defence Ministry.
16. 404 Officers', Chargers belonging to Defence Ministry carried in spare accommodation.
- The rates for the above four items were based on the Public tariff rates and these were de-linked from Public tariff rates since 1973-74 onwards.

These items of traffic may also be charged at Public tariff rates.

17. 501 Special Trains

The minimum number of vehicles or wagons to be paid for at the vehicle kilometre rates is 20. At present All Military specials except Ammunition special trains are charged at coaching vehicle km. rates irrespective of the nature of the stock moving i.e., goods wagons or vehicles.

There is a Minimum charge for a Military Special train. This charge was based on the minimum number of vehicles to be paid and the minimum charge per vehicle (i.e., Rs. 5 × 16 = 80). Since 1973-74, the basis was changed and the rate of Rs. 80 has been revised on the basis of percentage increase in vehicle km. rates. The existing rate is Rs. 291·03.

We have proposed a Passenger Bogie rate on the basis of II class fares for 72 persons and a separate rate for Military stores/baggage carried in coaching vehicles, and for wagons at goods rates i.e., 100th class rate less 20%. It has been pointed out that charging of coaching stock at coaching rate and goods stock at goods rates would be easy and the traffic will also be charged at appropriate rates.

Therefore, Passenger Coaches and other coaching vehicles may be charged at coaching rates as given in Rule 201(4) i.e., at Passenger Bogie rates and at vehicle-rates respectively. Goods stock may be charged at wagon-rates as given in Rule 301.

The minimum number of vehicles/wagons to be charged for may also be raised from 20 to 40 four-wheeled vehicles or wagons. Instead of a minimum charge per train, a minimum distance for charge at 50 kms. per train may be fixed.

1 2

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18. 504 Armoured and Patrol trains

Earlier these rates were based on the rates applicable to Special Trains reserved for High Officials. Since 1973-74, these rates were related to percentage increase in vehicle km. rates. The existing rates are given below compared with coaching tariff rates :—

	Military Tariff Rates	Coaching Tariff Rates
	Rs.	Rs.
B. G. per train km. . . .	11·60	7·30
M. G. per train km. . . .	9·72	6·00
Minimum charge	144·75	300·00

The charges for this item of traffic may also be levied as for special trains reserved for High Officials given in Rule-407 of Coaching Tariff.

19. 702 Charges for Double heading of passenger trains to permit emergent despatches of Military Coaching Traffic in reserved Military vehicles of wagons.

The number of cases of Double Heading are a few. The existing rates are given below :—

For additional Engine

BG	Rs. 2·87 per km.	Do.
MG or NG	Rs. 1·92 per km.	

20. 701 Empty Haulage charges for Military Ambulance, Kitchen cars, Aeroplane-vehicles, Military Crocodile trucks, etc. These rates were fixed in on *ad hoc* basis and the existing rates are given below :—

The rates chargeable for Dummy wagons or vehicles may be made applicable to this item of traffic.

- (i) For 4-wheeled BG, MG or NG—Rs. 0·50 per km.
- (ii) Per 6-wheeled BG, MG or NG—Rs. 0·75 per km.
- (iii) Per Bogie—Rs. 1·00 per km.

21. 706(1) Charges in lieu of Hire

These charges have been fixed on *ad hoc* basis and the existing rates are given below :—

- (i) Per 4-wheeled vehicle or wagon—7paise.
- (ii) Per 6-wheeled vehicle or wagon—11 paise
- (iii) Per Bogie—14 Paise

These charges are levied on the stock excluding Military stock utilised on Special Trains. Some railways have recommended the abolition of this charge as it would eliminate unnecessary calculations. The amount realised from this rate is negligible. Levy of this charge may be discontinued.

22. 707(1) Detention and Demurrage charges for Military Special Personnel trains :—

Stock ordered but not used—

- (i) Engine power per hour or part of an hour for BG per engine—Rs. 30·82
for MG per engine—Rs. 24·65
for vehicle or wagon—Rs. 0·77
Minimum charge per train—Rs. 77·02
Minimum charge per vehicle—Rs. 15·40

- (ii) Stock delayed beyond 30 minutes at starting station or at a station where troops are entrained owing to the fault of Military authorities. BG engine Power—Rs. 10 per engine per hr. or part of an hour.
MG engine power—Rs. 8 per engine per hour or part of an hour.
Wagon or vehicle—Rs. 19 per engine per hour or part of an hour.

- (iii) Free allowance for loading and un-loading. Exceeding Free time of 5 hours, at forwarding station or destination station Rs. 0·19 per hour or part of an hour.

- (iv) Military Specials other than Personnel trains. In excess of Free time—Rs. 0·19 per hour or part of an hour.

Keeping the public tariff rates in mind, these may be escalated suitably.

1 2

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24. *Siding charges for smalls traffic.*

Appendix VII/2. Col. 6.

The existing rates are given below :—

- (i) When booked at goods rate—Rs. 0·17 per Qtl.
- (ii) When booked at Parcels rate—Rs. 0·54 per Qtl.

25. Miscellaneous Siding charges :—

(i) *C.P.T. Railway. S. Nos. 1, 2 & 3 (Col. 6) :—*

- (a) On all coaching stock booked to and from any point on C.P.T. Rly.—Rs. 30·82 per axle.
- (b) On foreign Railway wagons carrying goods traffic booked to and from any point which is declared by C.T.T. Railway to be siding—Rs. 12·78 per axle.
- (c) On Steam Crane dummy wagon or brake-vans hauled from one point to another point on C.P.T. Railway system—Rs. 12·78 per axle.

(ii) *Northern Railway*

- (a) S. No. 4 (ii) (Col. 6) Supply and Transport Siding, Allahabad—Rs. 5·13 per wagon.
- (b) S. No. 5 (i) (Col. 6) Allahabad Military Cos. Siding(s), Allahabad—Rs. 0·24 per Qtl. (on actual weight).
- (c) S. No. 5 (ii) (Col. 6) Allahabad Military Cos. Siding(s), Allahabad—Rs. 5·13 per wagon.
- (d) S. No. 9 (i) (a) (Col. 6) Ordnance Depot Siding, Allahabad, when booked at goods rates as parcels—Rs. 0·29 per Qtl.
- (e) S. No. 26(i) (Col. 6) Chheeki Military Siding Naini, Wagon-load consignments both goods and parcels—Rs. 28·02 per wagon.

(iii) *N. F. Railway*

- (a) S. No. 5 (Col. 6)—Engineering Store Depot Siding, Pandu—Rs. 12·78 per wagon.
- (b) S. No. 6 (Col. 6) R.H.S.D. Siding, Dimapur, Manipur Road—Rs. 71·53 per shunt.

(iv) *Southern Railway*

S. No. 2 (Col. 6) Pattabiram Military Siding per Road-van when traffic in smalls is cleared by Road-van—Rs. 25·56 per Road-van.

The charges indicated in the above items S. Nos. 24 & 25 have been escalated from 1973-74 on the basis of percentage increase in wagon/vehicle km. rates.

These charges are to be levied by the Local Railways on the basis of cost of operations on each Railway. The rates for these items of Military traffic may be revised by the concerned Railways and intimated to the Local Military authorities and Defence Accounts.

26. Passenger Fare Tax of 1957.

Since public tariff rates have been proposed to be levied for Military passengers travelling in reserved carriages/special trains, this tax will not be applicable to Military traffic, carried in special trains etc.

27. Accident Compensation Surcharge.

Do.

STATEMENT—3·7

Earnings from Military Traffic

(Rs. in crores)

Year	Military Passenger	Special Trains and Reserved Carriages	Other Military Traffic	Total
1967-68	8·94	1·04	4·39	14·37
1968-69	13·20	1·95	4·75	19·90*
1969-70	13·28	2·72	5·83	21·83*
1970-71	15·72	3·41	6·93	26·06*
1971-72	20·83	7·92	9·12	37·87*
1972-73	16·46	4·92	7·89	29·27*
1973-74	15·85	2·77	6·98	25·60
1974-75	16·15	3·86	7·76	27·77
1975-76	18·79	4·20	9·49	32·48
1976-77	21·37	5·10	10·09	36·56
1977-78	22·02	5·33	10·29	37·64
1978-79	22·45	5·51	9·02	36·98

*Increase due to 25% escalation of Rates made by the Railways unilaterally, but these rates were not accepted by the Ministry of Defence. Difference between the rates charged and the rates agreed to was refunded to Defence by the Railways.

CHAPTER IV

TERMINAL CHARGES FOR PORT TRUST RAILWAYS

Terminal Charges for Port Trust Railways

4.01 The Ministry of Railways has desired that the question of rate of payment, frequency etc., of the terminal charges by the Railways to Port Railways should be examined by the Rail Tariff Enquiry Committee. This matter has been referred to us under paragraph 7(c) of the terms of reference of the Committee, viz., to examine any other cognate matters that may be referred to the Committee by the Ministry of Railways. A copy of the Ministry of Railways letter No. TCR/1078/75/9 dated 6-3-1978 together with its enclosure is at Annexure 4.1.

4.02 We have gone into the matter. A questionnaire (Annexure 4.2) regarding the matters connected with terminal charges was sent to the various Port Trust Railways. Discussions were also held with the Cochin, Bombay, Calcutta, Madras and Visakhapatnam Port Trust authorities. We have also received detailed memorandum from the Ministry of Shipping & Transport. Discussions were also held with the representatives of the Railway Board, apart from discussions with officers of the Trunk Railways concerned.

4.03 The Trunk Railways have been paying terminal charges to Bombay Port Trust Railway from 1911 and to Calcutta Port Commissioner's Railway from 1922, as per the agreements entered into between the Trunk Railways and these two Port Trust Railways. Similarly, terminal payments are also being made to the Madras Port Trust Railway. This principle was extended to the ports of Cochin, Visakhapatnam and Mormugao. These payments are being made on all traffic to and from the Port Trust Railways.

4.04 Prior to 1958, the quantum of such payments was based on the one-end terminal charge recovered by the Railways on traffic. In the railway rates in force at that time, there were distinct terminal charges in the rate, the total freight leviable being arrived at by adding to the basic rate fixed terminal charges, one at each end. The rates of terminal charges were then as follows:—

'L' Traffic (i.e. where loading/unloading was done by consignor/consignee)	. . . . .	6 pies per maund
'Non-L' traffic	. . . . .	8 pies per maund
Coal traffic	. . . . .	14 annas per ton.

The one-end terminal charges recovered from the public were credited to the Port Trust Railways accordingly.

4.05 With effect from 1-10-1958, separate terminal charges were done away with and the freight rate included the charges for all the services rendered by the Railway, i.e., both haulage and terminal charges are included in the overall freight rates in force from 1-10-58. In order to compensate the Port Railways for the terminal services rendered by them at the port-end, the Railway proposed that they would make terminal payments on the basis of the element of one-end terminal charge included in the consolidated rate. The freight rates introduced from 1-10-1958 had more or less absorbed the then existing terminal charge and payments of one-end terminal to Port Railways were, therefore, proposed at the same rates as obtaining prior to 1958, viz., 6 pies per maund for 'L' traffic, 8 pies per maund for 'Non-L' traffic and 14 annas per ton for coal traffic. These payments were, accordingly, made upto 1961.

4.06 In regard to payments beyond 1-4-1961, it was agreed between the Ministry of Railways and the Ministry of Transport and Shipping that the one-end terminal charge on general merchandise viz., 6/8 pies per maund together with the surcharge at 12½% imposed in 1957 and 5% imposed in 1960 would be paid. It was also agreed that a similar arrangement for coal based on the standard terminal charge of 14 annas per ton (the standard terminal charge on coal had been increased to 14 annas from 15-10-1956) together with the supplementary charge of 12½% and 5% would be given to the Port Trust Railways. Thus the rates from 1-4-1961 were revised as under:—

'L' traffic	6 pies per maund + 12½% and +5% on the aggregate.
'Non-L' traffic	8 pies per maund + 12½% and +5% on the aggregate.
Coal traffic	14 annas per ton + 12½% and +5% on the aggregate.

4.07 It will be seen that the principle adopted for these payments was to increase the notional one-end terminal charge by the increases made in the supplementary surcharge on the Railways, the assumption being that correspondingly the notional terminal charges also got increased. Therefore, the terminal

charge was segregated notionally and the one-end terminal was increased to the extent of the increase in the surcharge on freight rates.

4.08 For the period from 1-4-1966 to 31-3-1971 also, increases in the notional terminal charges were made taking into account the increases made in the general freight on the Railways. The revised rates were accordingly fixed as under for the Bombay Port Trust, Calcutta Port Commissioner's Railway and Visakhapatnam North Holding Yard:—

'L' Traffic . . .	6 pies per maund + 27½ per cent thereon (Rs. 1.07 per tonne)
'Non-L' Traffic . . .	8 pies per maund + 27½ per cent thereon (Rs. 1.42 per tonne)
Coal Traffic . . .	14 annas per ton + 27½ per cent thereon (Rs. 1.10 per tonne)

As regards Madras and Cochin Part Trust Railways, the following were the revised rate from 1-4-66:—

'L' Traffic . . .	6 pies per maund + 22½ per cent on the total (Rs. 1.03 per tonne)
'Non-L' Traffic . . .	8 pies per maund + 22½ per cent on the total (Rs. 1.30 per tonne)
Coal Traffic . . .	14 annas per ton + 12½ per cent on the total (Rs. 0.97 per tonne)

4.09 When the question of revision of terminal payments to Port Railways with effect from 1-4-1971 came up for consideration, the Ministry of Railways made a proposal for payment of increased terminals till 31-3-1976 only and for its discontinuance from 1-4-1976, leaving it to the Port Railways to revise their own tariffs suitably, in order to make up for the loss on this score. The proposal was however not acceptable to the Ministry of Shipping & Transport. It was pointed out that since the Port Railways were responsible for rendering terminal services at the Port-end, and the charges for this burden were being recovered as a part of the through freight, it would be neither fair nor equitable to the Port Railways or the trade to discontinue this reimbursement to Port Railways and to introduce a fresh levy on the trade which would make the port charges disproportionately high. It was therefore proposed that the difference in viewpoints could be sorted out by further discussions.

4.10 As a result of the discussions held by the Ministry of Transport and the Ministry of Railways in this regard on 5-11-1976, it was finally decided to make some tentative payments for the quinquennium from 1-4-1971 to 31-3-1976 and refer the entire question regarding the principles, rates of payment, frequency, etc., of the payment of terminal charges to the ports from 1-4-1976 to the Committee proposed to be appointed by the Ministry of Railways for

reviewing the freight structure. Accordingly, the whole question has been referred to the Committee.

4.11 From the detailed discussions which the Committee had with the several Port Trusts and the Trunk Railways concerned and the inspections of the Port Trust Railways, it is clear that the terminal services at the Port-end with regard to through Railway traffic to and from the Port Trust Railways are being rendered by the Port Trust Railways. Therefore, it is reasonable that out of the through Railway freight, the terminal element at one end in the through freight which is recovered from the public should be credited to the Port Trust Railways. Actually this was being done upto 1958. Really the problem arose subsequent to 1-10-1958 due to the fact that there was no separate terminal charge shown as such in the through freight and the Railways had to assume a notional terminal charge for the purpose of apportionment. The quantum of the terminal charge to be paid with the increases in the through freight charge from time to time has been the bone of contention between the Trunk Railways and the Port Trust Railways.

4.12 We have recommended in the new Freight Structure a separate terminal charge for wagon loads as well as 'smalls'. In our view, the one-end terminal charge collected from the public should be credited to the Port Railways as the terminal services at the port-end are being done by the Port Trust Railways. Payments can be based on each year's traffic to and from the Ports at the end of the financial year.

4.13 Based on the volume of traffic of 1977-78, the terminal charges that would require to be credited annually to the Bombay, Calcutta, Madras, Visakhapatnam, Cochin, Paradip and Mormugao Port Trusts would be of the order of Rs. 8.76 crores, as against Rs. 3.10 crores under the existing arrangement. This is on the assumption that our proposals regarding terminal charges contained in our Main Report would be accepted by the Government.

4.14 As regards the terminal payments due for the period from 1-4-1976 to the date from which the revised freight structure would come into effect, the matter could be settled by mutual discussion between the Ministry of Railways and the Ministry of Shipping & Transport on the basis of a suitable escalation in the notional terminal charge included in the freight.

Local Haulage Charges for Port Trust Railways

4.15 Mention has been made of the local haulage charges in the discussions held on 5-11-1976 between the Ministry of Railways and the Ministry of Shipping & Transport. The haulage charges are being levied for haulage

within the port premises. These are charges to cover cost of services rendered by the Port Trust Railways for the placement of wagons at various sidings, particular unloading points near ware-houses, etc., and the level of these charges has appropriately to be decided by the concerned Port Trusts taking into account the costs involved subject to approval by the Ministry of Shipping and Transport from the overall point of view of public interest. These charges, however, have to be approved in the Ministry of Railways to satisfy the legal requirements

under the Indian Railways Act.

4.16 It has been represented to us that, when the cases are referred to the Railway Board, they take considerable time in processing the proposals and rates are also unilaterally reduced before approval. The extent of delay and, therefore, consequent loss of revenue to the ports on this account is evident from the particulars of delays pointed out to us by the Ministry of Shipping & Transport, as under:—

Name of Port	Date of Submitting the proposal to the Ministry of Railways	Date of sanction issued by the Ministry of Railways	Type of charge
1. Paradip	11-2-1976	10-3-1978 (Haulage charge only)	Port Railway Haulage and demurrage charges.
2. Bombay	12-12-1975	9-6-1977	Haulage charges on through traffic.
3. Mormugao	18-7-1976	21-7-1977	Demurrage charges.
4. Calcutta	15-6-1976	1-2-1977	Haulage charges.
5. Visakhapatnam	11-4-1977	8-8-1977	Haulage charges including siding charges.

4.17 In our view, once the Ministry of Shipping & Transport has approved certain proposals there is no reason why such proposals should be delayed in the Railway Ministry.

4.18 From the infrastructural facilities that we find are available in the Bombay Port Trust, Calcutta Port Trust etc., where a large number of sidings, covered warehousing accommodation etc., are available, it is a point for consideration whether it will not be in public interest to make use of the facilities available in the Port Trust Railways for augmenting the terminal facilities available on the Trunk Railways. Taking Bombay, for example, the Carnac Bunder and

Wadi Bunder goods sheds are located in such a way that further expansion of the passenger facilities available will be difficult, but, at the same time, the Port Trust Railway in Bombay has, *prima facie*, adequate infrastructural facilities to provide goods shed terminals for the whole Bombay complex and it may be useful to make use of these facilities for goods traffic and release accommodation available in Wadi Bunder and Carnac Bunder for expansion of passenger facilities, both suburban and non-suburban, in Bombay. A detailed study can be made by the Railways and the Ministry of Shipping & Transport so that best use can be made of the resources available.

CHAPTER V

SIDINGS

Siding Charges

5.01 A detailed study of sidings made by Shri Sankaran who was appointed to go into the question is given in Annexure 5.1.

5.02 We have also received replies from a large number of siding owners in reply to our detailed questionnaire on sidings.

5.03 During our discussions with various Chambers of Commerce and other trading interests in different parts of the country, certain problems faced by siding owners have also been brought to our notice.

5.04 As mentioned in our Main Report, vide para 16.88, Railways should look upon 'sidings' as an arrangement mutually beneficial to the Railways as well as to the siding owners. Sidings should be really considered as special terminals. An industry going in for its own siding saves the Railways some expenditure, on terminal facilities which the Railways would otherwise have to incur at the station if the increased traffic is to be dealt with. From all these points of view, we think that Railways should actively encourage the provision of sidings for dealing with the increasing volume of traffic that is likely to be generated in the country. With the increasing industrial production in the country and with the setting up of more factories and industrial units which require large volumes of traffic to be dealt with, provision of sidings to cater to this traffic will be useful and convenient not only for the owners of the factories but also for the Railways as, otherwise, the Railways will have to make large capital investments for either providing new terminals or increasing the terminal facilities at the existing goods sheds. As the capital available to the Railways even for essential requirements is limited, if private interest can supplement by investing capital in providing terminal facilities, this should be welcome.

5.05 While in the earlier days of Railway development in the country, Railways were helping in the establishment of sidings by providing a part of the capital, *i.e.*, by agreeing to the laying of assisted sidings, in the present context of the scarcity of capital available to the Railways, Railways may not be able to invest in assisted sidings. Railways can, however, offer other assistance necessary for the provision of private sidings.

5.06 The length of the sidings to be provided in the factory premises, colliery, loading point etc. also requires careful planning particularly in the context of proposals for heavier trains and longer rakes. At the planning stage itself, it is necessary that collieries must provide long sidings sufficient to deal with such bigger rakes.

5.07 Railways at present collect siding charges for moving the wagons from the serving station to the siding for purposes of unloading and loading and for working the wagons from the siding to the serving station for onward despatch. However, in the case of big sidings who have their own locomotives for removing the wagons from the serving station to sidings, the question of levy of siding charges does not arise. These siding charges are being levied as charges to compensate for the additional costs involved in the movement of wagons to and from the sidings upto the serving station. Details of the method of collection of these charges are given in Annexure 5.1. As will be seen there from, the present practice on most of the Railways, is to compute the extra cost involved by finding out the time required for the operations of placement and removal of wagons, to and from the sidings, and levy of a charge on the basis of a shunting hour or train hour charge. This was being done previously on the basis of the costs on individual Railways but after a judgement of the Railway Rates Tribunal, the Railway Board has given an all India average rate for all the Railways. The Railway Rates Tribunal have in a further judgement laid down that the costs should be compiled on the basis of the costs of shunting engine hour etc. over the individual Zonal railway.

5.08 We have received several representations regarding the present basis of the levy of siding charges and Zonal railways have also pointed out that the present method is an irritant to the customers. The representations made by the Cement Manufacturers' Association at the oral hearing is representative of the submissions we have received from several siding owners.

"The present practice of levying siding charges on the basis of 'trip time' and 'engine hour cost' is complicated and involves frequent revisions as well as leaves scope for variations at the railway level, many times resulting in harassment to the railway

users. As an example, it was pointed out that at a particular place, the railway locomotive takes water in the cement unit's premises as watering facilities are not available at the station, but the watering time is also included in the siding charges. There is also no uniformity about the charges at different sidings. The settlement of charges involves frequent discussions and many times it takes years for the Railway users to get back the excess charges paid by them. It is, therefore, necessary to simplify and standardise the siding charges formula. In this respect, a suggestion was made that railways should charge on the basis of extended mileage to avoid many of these complications. It was pointed out that in many foreign countries, siding charges are levied as a straight freight charge on the length of the siding".

5.09 It has been represented to us that the reckoning of the average time taken for such placements in the siding has led to a number of disputes between the local railway officials and the siding owners. The main point stressed has been that very often while reckoning the trip time, detentions for purposes of railway operating convenience are also included in the trip time. It has also been represented to us that where the quantum of traffic requires say only one trip, and when more trips have to be made due to the irregular receipt of wagons the siding owner, has to unnecessarily pay additional charges as siding charges are calculated on trip basis. The placement of wagons also depends upon the availability of engine power for working the pilots and this also results in irregular placements involving additional trips which are really not necessary.

5.10 It has been forcefully represented to us by the siding owners that any siding charge levied should be on a simple basis. We have given thought to these matters. The placement of wagons in the sidings should not be treated as an operation entirely different from the normal transport of goods by the Railways. As explained earlier, it is useful for the Railways to have placements done in the siding as this obviates the need for additional terminal infrastructure at the stations or at the goods sheds. Indeed, in our view, the placement of wagons in sidings should be considered as part of the scheme of total transportation from the booking station to destination. In this view, it is really not necessary to segregate in meticulous detail the costs involved in the placement of wagons in the sidings in respect of each siding and then try to recover the cost by way of siding charges. In our view, the transport of materials from the booking point to the destination should cover placements in sidings as well, since these are really in lieu of goods sheds or stations. While the extra cost involved in placement of wagons in the parties'

premises in siding involving additional haulage from the serving station should be covered, we feel that this should be done on a simple basis which would, by and large, take care of the additional costs involved. Considered from this point of view, we suggest that the siding charges may be reckoned in the same way as freight charges, for the additional distances involved from the serving station to the factory premises. In view, however, of the general telescopic pattern of freight rate and in order to ensure that adequate additional charges are collected in such cases, we recommend that the additional freight charge for placement in the siding should be reckoned on a discontinuous kilometrage basis. The distance from the serving station to the siding should be notified by the Railways taking into account the local conditions regarding the point from where the siding takes off etc. The charge would thus be for the chargeable weight at the appropriate classification rate for the commodity for the length of the siding. The advantages of such an arrangement would be:—

- (a) The siding charge can be straightaway included in the railway receipts and invoices, if the distances for charge for the sidings are notified in the alphabetical list of stations. The distance for charge should be the notified length of siding rounded off to the next higher kilometre.
- (b) The rail user knows how much siding charge he will have to bear and he can prepare his cost budget and fix prices for his manufactured articles accurately.
- (c) This will simplify the procedure and also save the time for the preparation of bills by the railway staff. The Railways will be able to recover their service costs simultaneously with the freight charges.
- (d) This will also remove the causes for disputes regarding the time taken for shunting purposes, for fixing the placement charges etc., which have, in many cases, compelled the siding owners to rush to the Railway Rates Tribunal for redress.
- (e) As, in our scheme of tariffs, the freight levels would be regularly adjusted in consonance with increase in costs, the siding charge will also get enhanced to the extent necessary.

5.11 We have made some calculations of the approximate earnings for the various sidings that would accrue on the basis proposed. We find that the additional earnings will, by and large, be equal to the siding charges that are now being collected on trip basis. (Para 61 of Annexure 5.1.).

5.12 As far as colliery sidings are concerned, these are on a footing different from the normal sidings. We have already commented on this in the Main Report (vide para 15.37) and as the coal rates have been suitably evolved taking all the costs into account, no separate siding charges need be collected at the colliery end. The total distance for charge should include also the distance of the sidings as is the practice in force on the Eastern Railway.

5.13 It has also been brought to our notice that there are several instances where originally a private siding has been constructed to cater to a particular factory or interest but, later on, with the proliferation of traffic, various other interests have also come up in the area and the siding which has been conceived as a private siding, is being practically used by the Railway as a common siding not only serving several parties but also the Railways' operating requirements as a permanent long-term feature. In such cases, it may not be fair to treat them as private sidings and they should rather be treated as public sidings and there should not be any question of additional siding charges. The appropriate through distance for charge can be notified for purposes of charges taking the altered circumstances into account.

5.14 We have received representations from several siding owners including certain public sector undertakings that, in reckoning siding charges, the appropriate serving station is not taken into account, particularly where, since the inception of the siding, material changes have taken place.

5.15 The FACT, Cochin Division Siding, is a particularly representative case in this regard. The following extract from their representation is revealing :

“(a) Siding charges are leviable for wagons placed and removed from the owners' sidings. These are calculated on the basis of number of pilots carrying wagons entering and leaving the siding and is reckoned from the serving station. So far as FACT Cochin Division is concerned, the serving station is Ernakulam Town which is situated about 10 to 12 kms away from Ambalamedu. This serving station was fixed at the time of the opening of the siding for the the FACT more than 10 years ago. Since then there has been a material change in the pattern of movement from the serving station to the Ambalamedu siding in view of the commissioning of Ernakulam Marshalling Yard, but the serving station has not been refixed and the previous arrangements still continue. For fixing the serving stations, proximity of the

nearest yard/station should be taken into account as otherwise the existing procedure works to the disadvantage of the siding owner. At present the siding charges paid by FACT are as follows:

	Type of Engine use	
	Shunting engine	Train engine
	Rs.	Rs.
Ernakulam to Irimpanam	577.50	819.50
Irimpanam to FACT siding	304.50	432.60

The total charges incurred while a shunting engine is used for hauling the wagons is Rs. 882 and while that with a train engine is Rs. 1,252. Taking into account the proximity of railway yard and generation of wagons at the yard the Ernakulam Marshalling Yard need be fixed as serving station. The section between Ernakulam North and the Marshalling Yard is mainly used for the normal operation of the railway and it is only fair that the siding owner should not be asked to pay for this portion.

- (b) The siding charges are now leviable both while empties are moved to and loads removed from factory. Since empties are being brought for loading purposes only it is reasonable that pilots for placing empties are sent on Railway's account and pilots for taking loaded wagons to account of the siding owners.
- (c) The section between Ernakulam Town and Ernakulam Marshalling Yard (Irimpanam Yard) should be declared as public siding so that the various industrial units existing at present and those coming up in the area can avail of the facility of rail transportation. Ambalamedu area is rapidly developing into a petro-chemical complex area and hence this suggestion should hasten the proposed projects in the area to the advantage of railways and the entrepreneurs.”

5.16 We feel that it is only fair and reasonable that the line between Ernakulam Town and Marshalling Yard which is used as a regular measure for taking all goods trains to the Marshalling Yard should be treated as a railway line and the serving station for the purpose of the siding of FACT or the oil refinery should be only from the marshalling yard. In the new system of siding charges that we are proposing, the through distance for the freight should be reckoned upto the marshalling yard and, for the purpose of

calculating the siding charge, the further distance from marshalling yard to the factory premises should be taken on a discontinuous kilometrage basis. If capital for the line from Ernakulam Town to Marshalling Yard has been invested by the factories concerned, the Railway may think of buying over the line from the factories concerned on suitably negotiated terms but, in any case, for the purpose of calculating the siding charge, it is not proper to reckon the distance from Ernakulam Town station.

5.17 The reasoning normally advanced by the Railway in such cases is that a particular station like the Ernakulam marshalling yard has not been formally opened as a goods station; but this is not a reasonable argument. It is open to the Railway to notify for these purposes the Ernakulam marshalling yard as a booking station. This has been done, for example, in the case of Adityapur yard serving the Tata Iron & Steel Company's plant.

5.18 The question of levy of placement charges for placement of wagons near plots leased to parties has been referred to us by the Railway Board. Making placements near the plots leased to parties would facilitate quicker release of wagons and would also release space in the goods shed delivery lines for handling other traffic. These arrangements are essentially part of goods shed facilities. We, therefore, recommend that such placements should be treated as part of Railway's transportation arrangements and that no separate charge, apart from the freight for the appropriate distance, should be levied for such placements.

Free Time and Demurrage Rules for Sidings

5.19 One aspect which has been represented to us by various siding owners is the fact that the terms of siding agreement, viz., the agreement that the siding owners have to execute with the Railways, are very largely unilateral and one-sided without taking into account the necessity for any reciprocal obligations by the Railways towards siding owners. This point has been specially stressed in respect of the rules regarding free time and levy of demurrage charges for detention to wagons.

5.20 Some of the points regarding free time represented to us are listed below :—

- (1) Where the industry has its own locomotive arrangement for removing the wagon from the interchange point to the siding premises, the time taken for moving the wagons from and to the serving station to the actual place of unloading in the siding should also be taken into account for determining the total free time. This additional time has to be given over and above the normal free time permitted for loading and unloading of wagons.

- (2) In the case of sidings having regular and appreciable volume of traffic, the benefit of the pilot-to-pilot system should be given to the siding which is not being done at present in some cases.
- (3) The running of pilots is not according to the schedule fixed and is often irregular.
- (4) The free time for actual loading/unloading in a siding should be determined in each case with reference to the actual conditions obtaining in the siding in relation to the physical capacity of the various lines, the actual arrangements for loading/unloading etc. The mere application of the goods shed rule of 5 hours applicable to individual wagons in the goods shed should not be done without relation to the conditions obtaining in the siding.
- (5) Free time should be fixed taking into account all aspects relevant to particular sidings like mechanised, or manual loading etc. Basically the free time should be on the basis of pilot-to-pilot working. Running and spacing of the pilots should be so arranged that adequate time is available for finishing loading/unloading. Though in individual cases of hardship demurrage is allowed to be waived by local officers taking all the circumstances into account, matters should not be left for being sorted out in individual cases on merits, but the general rules and procedure should themselves provide for this and cases where individual discretion has to be exercised should be limited to the minimum.
- (6) Industries which work round the clock have planned for the use of their equipment over an optimum span of time and supply of wagons required for target loading has to be suitably spread over the working day. The pilots bringing the supply of wagons have to come at suitable intervals so that the loading/unloading can be done according to the physical capacity planned for the factory. Instead of a regular supply spread over scheduled intervals, if larger number of wagons are supplied and the plant is required to complete the operation of the loading/unloading within 5 hours irrespective of the number of wagons involved, the industry would have to incur enormous capital expenditure to create assets which would be utilised only for a few hours

in a day or for a few days in a month. No industry, it has been pointed out, can afford to sink capital on such a scale. The equitable thing for the Railways to do would be to fix norms for loading/unloading of wagons during the working day and where the industry loads/unloads according to the norms fixed proportionately to the working time available during the day after placement of the wagons, the Railway should exempt surplus wagons from levy of demurrage for that day.

5.21 We have given thought to the matter and are of the view that firstly, there should be regular running of pilots and regular supply of wagons required by the factories. Where wagons are not supplied according to a regular schedule, then due consideration should be given in estimating detentions to wagons for the purpose of demurrage. It is no doubt necessary that there should be a continuing endeavour on the part of the factory or industry to develop facilities to deal with the traffic with minimum detention to wagons. A tight free time will, no doubt, force factory owners to think ways and means of improving arrangements for dealing with the wagons to ensure their release promptly. At the same time, the actual physical conditions of a factory cannot be overlooked in deciding on free time, working of pilots etc. Secondly, Railways should determine by trials and studies jointly conducted with the industry the number of wagons per working hour that can reasonably be loaded/unloaded under actual conditions obtaining in the factory. The free time to be allowed should be correlated to this time study and then norms fixed for the number of wagons to be loaded/unloaded during the interval between the normal runs of the pilots. If, on any day, the industry loads/unloads wagons as per norms fixed accordingly, any excess wagons worked to the siding for unloading or empties on hand not loaded should not be subjected to demurrage but should be treated as madeover by a subsequent pilot. The agreements should provide for the regular running of the pilots, the margins that should be allowed for being treated as normal running and cases where the runs will be considered as beyond normal for which suitable allowance will be given in determining additional free time etc., for purposes of reckoning demurrage. What is necessary is that in respect of each siding, the agreement should provide for dealing with variations in schedule, working of pilots, supply of wagons etc., as indicated above so that cases where individual discretion will have to be exercised by local officers can be reduced to the minimum. The Railway Board may issue suitable instructions delegating powers to the Zonal administrations to fix suitable free time etc., based on joint studies indicated above. They may also

indicate limits upto which there can be deviations from the free time generally fixed for the public in this regard beyond which only reference need be made to the Railway Board.

5.22 Several problems pertaining to the colliery sidings have been brought to our notice by Coal India as well as their subsidiary units with whom we had discussions. We have also had discussions with the Director, Rail Movement, Calcutta and Officers of the Eastern and South Eastern Railways.

5.23 One of the important points stressed before us is the necessity for following a fixed schedule for supply of wagons and running of the pilots in the colliery sidings to the regular schedule. We feel it should be possible for the Railways to organise the schedule of supply of wagons to the sidings more or less to regular schedules but, where there is a big departure from the schedule, apart from giving advance intimation to the local field officers for rescheduling their loading arrangements, suitable extra time and facilities for completing loading should be given. These are matters which should be discussed in detail in regard to each colliery siding by the local officers and a schedule drawn up accordingly. In this context, it has also been brought to our notice that it would be useful to have better telecommunication arrangements in the various sidings and Railways with its network of telecommunication facilities should be able to assist on mutually agreed terms for installation of better telecommunication facilities in the various sidings which would go a long way in improving the optimum utilisation of wagons.

5.24 It was represented by the CIL that there are occasions when, due to certain unavoidable reasons, loading of a particular rake is not completed and a few wagons in the rake still remain empty when the pilot comes to remove the rake as per the time table. In such cases the pilot leaves behind the whole rake and returns light. Not only are the collieries penalised by way of demurrage being levied on the entire rake but such a procedure also results in undue detention to wagons which have already been loaded. It was clarified by the railway authorities that in case of BOX rakes, it was not possible to perform shunting for detaching wagons which had not been loaded, and as such it was not possible to draw partially loaded rakes. It has been suggested during the joint discussion with Railways as well as the CIL authorities that the full BOX rake could be drawn in such cases provided there were not more than two to three empty wagons which still remained to be loaded. In such cases, freight should be charged even in respect of these empty boxes. It is recommended that the Railways may examine this aspect and make a provision in the rules accordingly so that just for

the sake of two or three BOX wagons remaining empty the whole rake does not suffer undue detention.

5.25 So far as rakes of conventional wagons were concerned, it was suggested that the pilot should bring back the loaded wagons of the partially loaded rake leaving behind the empties irrespective of the number of empties. However, in such cases the collieries should ensure that the loading of wagons is done from the engine-end only so that the wagons which were still empty and not fully loaded, could be just unhooked and left behind without involving any additional shunting operations. It is recommended that the Railways should consider issuing suitable instructions in this connection accordingly so that the detentions to loaded wagons due to "left behind" could be minimised.

5.26 After the nationalisation of coal mines, all the sidings in Jharia and Raniganj coalfields were reorganised to make them fit for rake loading with the result that several small sidings loading only a few wagons at a time have been discontinued and coal from these points is being carried by road in trucks to rake-loading points at additional cost. In the context of the present fuel situation, Railways may, after taking into account the social cost benefits, examine reintroduction of the system of supplying wagons to all the small sidings as before, if necessary, by making use of steam locomotives which have become surplus due to modernisation, for the purpose of drawing the small number of wagons between the rake-loading points and the small sidings.

5.27 It will be useful to have better coordination between the field officers of the Coal Companies and the Railway Officers in regard to day-to-day operation of pilots, placement of wagons etc. One point stressed before us was that with better coordination in diverting wagons to places where coal is readily available or by directing pilots to places where loads are ready, there could be more useful utilisation of resources.

5.28 Where parties make heavy investments like provision of mechanical handling of wagons, tippers etc., which would enable wagons being dealt with more quickly and, therefore, enable release/loading of wagons much quicker than the normal free time allowed, a suitable rebate per wagon can be thought of so as to act as an incentive for provision of such facilities. It has been represented to us that at present when such improvements are made, the only thing that is done is the reduction in the normal free time without any advantage accruing to the parties except, of

course, the general availability of wagons in the long run.

5.29 In regard to big industries like steel plants, where very large numbers of wagons are being dealt with, it has been suggested to us that instead of checking individual delays to wagons, a system of interchange of wagons could be thought of. A certain number of wagons could be allowed to be with the siding at a time as a sort of stock owned by the plant for which interest and maintenance charges on a notional basis could be recovered from the steel plants concerned and every day's transaction then should be balanced. This will have to be done in terms of different types of wagons, joint studies will have to be made to determine the optimum stock that should be in the premises of each one of the steel plants in respect of various types of wagons. Where the number of wagons handed over to the Railway is less than the number fed into the factory, suitable demurrage charges will have to be levied. Credit, however, will have to be given if more wagons are returned than are supplied to the factory. A suitable formula could be worked out by the Railways and charges on a per day basis levied for extra wagons detained in the factory's premises every day.

Maintenance Charges for Sidings

5.30 One of the points that has been specially stressed by the siding owners is that the maintenance charges required to be paid by them have been unduly increased. The practice on the Railways have been that maintenance charges would be recovered on a percentage basis on the capital value of the siding, the latest percentage being 4½ per cent. Because of the rise in costs of various materials required for maintenance, the Railways have appreciated the capital for purpose of reckoning maintenance charges. It has been brought to our notice that in several cases, the escalation of the capital has been enormous. It has been pointed out to us that the maintenance cost actually incurred by the Railways on the sidings is not to the extent of what is being debited to the siding owners. While it is not possible to have a detailed account of the actual amounts spent on maintenance of various sidings, and it is necessary to have a simple method of levying maintenance charges, we would suggest that as the standard of maintenance of sidings would be comparable to that of the Branch Lines on the Railways, the per kilometre average cost of maintenance of a Branch Line of the Railway system can be taken as the basis for recovering maintenance charges from the siding owners.

CHAPTER VI

PACKING CONDITIONS

Introduction

6.01 We now turn to the question of packing conditions—the manner in which goods tendered to the Railways for carriage are required to be packed. Our terms of reference envisage that these should be modified, where necessary, in the light of modern business practice.

6.02 Transportation, coupled with handling, exposes goods to a variety of hazards (drops and impacts, vibration, vibration under load and compressive forces in stocks) and rain, sand and dust, etc. It is necessary, therefore, that the goods to be carried by the Railways are so packed as to afford sufficient and suitable protection against these. Accordingly, the Railways have laid down the manner in which goods tendered to, the Railways for carriage should be packed. Packaging is anti-waste, and its primary objective is to prevent damage to the goods at different stages. It may be looked upon as insurance against avoidable risks of loss and damage.

6.03 The volume of the goods carried by the Railways which is required to be packed suitably for carriage is enormous—as much as 95 million tonnes or 45% of the total (of 212 million tonnes carried by Railways) in a year. The remaining 117 million tonnes (55%) are booked loose or in bulk and do not require any packing at all.

6.04 The existing packing conditions, which are more stringent than those in force earlier, were prescribed over 15 years ago. With the amendment of Indian Railways Act in 1962, the Railways assumed wider responsibility of a “common carrier” instead of the limited responsibility of a “bailee”. The Railways insured themselves against the additional risk—assumed by them by making the packing conditions more stringent. This followed the following observations by the Railway Freight Structure Enquiry Committee (1955—57).

“At the time when important changes were introduced in respect of the procedure relating to the acceptance of goods and parcels traffic, in order to bring it in line with the amendments to certain Sections of Act IX of 1890 passed in 1948, packing conditions were for the first time prescribed for all commodities carried by Railways other than those carried loose or in bulk. The scope of compulsory packing condition was also enlarged.

We feel that with the advance of industrialisation in this country, the time has come to review both the packing conditions generally and the list of commodities for which compulsory packing conditions may be applied. We see welcome signs of packing industry developing in this country. Railways can incidentally assist in fostering and developing this industry laying down improved packing conditions. Hence we recommend that the present packing conditions be reviewed.

Having regard to the fact that our recommendation contemplates railways assuming responsibilities of common carriers within one year after the coming into force of the revised freight structure, we recommend that revised packing conditions, where necessary, and also compulsory provision of packing conditions in respect of a large number of commodities may be prescribed and brought into effect simultaneously with the assumption by the Railways of the liability of common carriers. Industrial progress of the country to a certain extent is determined by the degree of care in which commodities are transported from place to place and we have no doubt that industries would respond to the conditions to be laid down by the Railway administrations.”

Types of Packing

6.05 The goods tariff prescribes two kinds of packing *viz.*, Internal Packing (I/P) and Outer Packing (O/P) conditions and these are indicated side by side separately against each commodity in the Tariff. Articles for which internal Packing conditions have been provided must be initially packed according to the prescribed conditions before they are put in the Outer Container conforming to the prescribed Outer Packing conditions for the same.

6.06 The rules prescribe three different types of Internal Packing within the Outer Packing.

- Primary packing : (*e.g.*, brown papers) in which the articles should be packed in the first instance.
- Internal containers : (*e.g.*, metal containers) in which the goods must be packed before they are finally packed in outer containers.

Protection within the outer containers : to prevent the contents being damaged either by internal movement or by water etc. (e.g., the outer container must be lined on all sides with 5 cm thick cushioning of dry grass).

6.07 There are 58 Outer Packing conditions describing the outer packing that is considered necessary for adequate protection. These may be grouped according to the nature of the outer containers as shown below :

<i>Examples of goods</i>	
—Glass or earthen or stone containers	(Acids)
—Tins/barrels/drums	(Edible oils/bitumen)
—Jute bags	(Foodgrains)
—Multiply paper bags	(Cement)
—Bales/rolls	(Cotton/Paper)
—Wooden cases or crates	(Machinery)
—Plywood Chests	(Tea)
—Solid fibre boxes or corrugated fibre-board containers	(Cigarettes)
—Other materials (bamboo baskets, dry grass etc.)	(Tiles)

6.08 Bages are by far the most common packing used. About 3/4th of the total of 95 million tonnes carried by the Railways annually, duly packed, are packed in jute bags (and in some cases in paper bags). The commodities packed in these comprise foodgrains, cement, chemical manures, sugar, oil seeds, oil tins, soda ash, organic manures, bidi leaves, etc. The remaining goods are packed in the other types of containers listed above, mainly in wooden/ply wood/fibre-board boxes.

6.09 "Smalls" and goods involving transshipment *enroute* are exposed to greater hazards—risks of damage than other goods. It is, therefore, obviously desirable that packaging condition for "smalls" should be more stringent than for wagon loads, and packing conditions for goods involving transshipment *enroute* should be more strict than those booked through to destination. It is however, found that such distinction exists in our packing conditions only in a few cases—e.g., tiles (P/18 for "smalls" and P/42 for wagon loads) and PVC Compound (P/13A for wagon loads booked through to destination and P/13 for wagon loads involving transshipment *enroute*). We consider that similar distinction should be made everywhere except where otherwise considered unnecessary.

Need for Packing Condition

6.10 The packing conditions lay down in detail, and a lot of technical jargon, the specifications of the prescribed packing. Thus, brown paper used for primary (internal) packing of combs must be 130 to 150 grammes per sq. metre and A Twill jute bags used for (outer) packing of sugar must be 1.118 metre long and 0.673 metre wide, weigh 1.191 kgs, and must have 8 warp threads per 2.349 cms and 9 weft threads per 2.54 cm of the cloth. However, while the specifications are described in such detail, except in some odd cases (e.g. P/22 reg. Tea) the relevant (Indian Standards Institution) specification has not been quoted in any packing condition even where it not only exists but has been mentioned in the relevant packaging laws and regulations made by the Administrative Ministry. Thus, the Railway packing conditions for sugar does not quote ISI specifications No. 1943—1964 to which the prescribed specifications conform though the ISI specification is specifically mentioned in Sugar (Packing and Marketing) Order, 1970,* promulgated by the Ministry of Food. It appears to us that it would be of advantage (particularly in the context of para 6.27 below) to indicate the relevant ISI specification in each case in the packing conditions. A list of ISI standards which ISI considers could be appropriately referred to in the Railway Packaging Code is given in Statement 6.1.

6.11 At its fundamental, packaging is designed to prevent damage and hence reduce waste—not only of goods and materials but also of energy and labour. The main purposes of the shipping container may be listed under the following headings :

- a. It must contain the product efficiently throughout the journey (including repacking and/or transshipment where involved) and handling involved during the various stages of the journey.
- b. It must provide protection against external climatic conditions and contaminants.
- c. It must be compatible with the product.
- d. It must be easily and efficiently filled and closed.
- e. It must be easily handled by the appropriate mechanical or other means likely to be used.
- f. It must remain securely closed during handling and in transit, but open easily and when required (as for Customs inspection), be capable of efficient and secure reclosure.

*Reproduced in "Packaging Laws and Regulations" by R. K. Chowdhary and M. R. Subramanian, The Book Centre, Ltd., Bombay, 1978, pp 278-282.

- g. It must communicate to the customer, the carrier, the wholesaler and the manufacturer all that it is necessary to know about the product and its destination, as well as how to handle and open the package.
- h. Where the product is dangerous or potentially harmful (as for chemicals and acids), the package must be virtually unbreakable.
- i. The package must be inexpensive and cost no more than is absolutely necessary to do its job.
- j. The package must be readily disposable, or be reusable, or have an after-use for other purpose.

Very few containers will need to satisfy all these requirements. The emphasis as to which particular ones predominate will be dependent very much upon the product packed.

6.12 However, each container must satisfy the requirement listed under item (i) above *i.e.*, it must be inexpensive and cost no more than it is absolutely necessary to do its job. Increases in the costs of materials and energy in recent years have ensured that the days of relatively cheap packaging are over. Packaging is now a significant element of the cost of a product,* and every one is therefore anxious to use the most cost-effective packaging. The economy is sought to be obtained mostly in the cost of the materials. Packaging is a very small user of energy; there is also not much† difference in the amount of energy consumed in the production and recycling of different packaging materials.

6.13 In addition, the packaging code must be such that the station staff are able to determine without difficulty, and in the limited time available for the purpose, whether the goods have been packed in the manner laid down.

6.14 We invited the views of large firms, industry associations, Chambers of Commerce, Railways, etc., as also specialised institutions such as the Indian Institution of Packaging and the Indian Standards Institution on the changes considered necessary. We have reviewed the packing conditions in the light of the requirements listed in paras 10—13 above as also views expressed by the various bodies. This review has shown that the packing conditions require some revision of a general nature, besides modifications in specific cases.

*In the case of cement, the cost of packaging (in jute bags) works out to around 20% of the ex. factory price.

†Energy used in container production (tonnes of oil equivalent per tonne)

	Aluminium	Plastics	Paper	Tin-plate	Glass
Raw material production	6.00 (95.3%)	2.30 (78.7%)	1.45 (91.2%)	1.00 (86.8%)	0.25 (92.5%)
Conversion to containers	0.20 (3.2%)	0.40 (13.7%)	0.05 (3.2%)	0.10 (8.6%)	
Heating & Lighting factories	0.08 (1.2%)	0.16 (5.5%)	0.07 (4.4%)	0.04 (3.4%)	0.02 (5.0%)
Transport to user	0.02 (0.3%)	0.06 (2.1%)	0.02 (1.2%)	0.02 (1.7%)	0.01 (2.5%)
Total	6.30	2.92	1.59	1.16	0.28

SOURCE—"The Packaging media" by F.A. Paine, Blackie & Sons Ltd., Glasgow, 1977, P. E2.

6.15 The packing conditions laid down by the railways have no doubt been evolved keeping in view the trade practices, the inherent nature of the commodities and the hazards involved in the transit and handling. The prescribed packaging is also understandably somewhat stronger than it may have been otherwise as there is almost a total lack of proper facilities for mechanical handling of the Railways and bags are handled by iron-hooks at each stage which increases losses through seepage. However, it is the general view that the existing packing conditions are rather stringent (even allowing for the fact that the Railways generally do not have facilities for mechanical handling) and are possibly of compliance only at the risk of substantial addition to the product price. Specifically, it has been stated that the packing conditions envisage use of materials (as for example wood) which are heavy, and costly, apart from being in short supply and therefore packing costs more than absolutely necessary. In recent years, considerable changes in technology and techniques of packaging in many areas have occurred, and it is claimed that goods can now be effectively protected by light-weight, more-economical, and more-convenient packaging *e.g.* (fibre-board containers). Thus, in many cases (where the package is not large and the goods are of relatively low density) consignors use solid or corrugated fibre board boxes instead of wooden cases for outer packing even where the use of wooden cases is compulsory. The Railways do not of course pay any compensation for

damage in such cases. The consignors seem to prefer to use the fibre board containers never the less; it has been explained to us that the overall saving in the money cost of packaging has been generally found to be greater than the loss resulting from the damage.

6.16 Almost all trade interests have represented to us that the Railways should allow greater use of solid and corrugated fibre board containers. At present these are allowed for packing of 15 commodities* when booked in wagon loads and "smalls" consignments in a few cases. However, the Railways allow any parcel to be packed in fibre board boxes where the package does not weigh more than 25 kgs and does not contain excepted articles, inflammable goods or articles for which compulsory packing conditions have been prescribed.

Types of Packing Materials

6.17 The use of corrugated material for packing purposes was patented in USA in 1871. By 20th May, 1895, these boxes were becoming accepted by the carriers, as is evidenced by a letter from a Wells Fargo agent that states, "The new cellular board shipping box which you sent to our office has been tested and I am pleased to say has borne, without damage, such handling as it would probably be called upon to stand in ordinary transportation. I consider it superior to the wooden crates commonly used around paste-board boxes. Our drivers will be authorised to receive goods packed in these boxes for transportation."† In 1914, the Interstate Commerce Commission of the United States made a ruling that the Railways would no longer discriminate against fibre board cases, and that they could be carried for the same charge as timber cases.‡

6.18 In the modern world, wood is normally used only when the package is large or, even when it is small if the product is of high density. Thus, wooden cases and crates are used extensively for weights above 100 kgs. and for heavy machinery and the like. Solid and corrugated fibre board is now the favoured material for light density products which can be accommodated in small packages. The normal range of weight which solid and corrugated fibre board cases carry lies between 5 and 20 kgs but they can be made to hold heavier loads, and with special fittings and reinforcement (e.g. side panels/dividers made from hard board or timber) this range can be extended upto, say, 100 Kgs. The fibre board containers are widely used now-a-days for all types of merchandise. Food-stuffs and household goods are probably

the largest field of use; they are also used for packing light engineering components, domestic appliances, etc. Limitations on the use of fibre board may be imposed by its resistance to climatic conditions. Weather proof boards of various types are made, but the degree of weather resistance varies from type to type and also increases the cost. Of the four hazards of transport (para 6.02), drops and compressive forces cause the most damage to corrugated cases.

6.19 While solid fibre board is a better container for certain products, the corrugated fibre-board is a more suitable container for other products. The considerations which can apply in specific circumstances are listed in Statement 6.2.‡

6.20 We consider that the Railways should allow greater use of fibre board containers in wagon loads, "smalls", and parcels in the light of the foregoing. Normally the maximum weight per package may be limited to 25 kgs in parcel service and wagon loads and 20 kgs for "smalls" consignments. However, packages weighing upto 100 kgs may be allowed if the cases are suitably reinforced. Products liable to damage by wet should not be packed in fibre-board boxes unless weather proof board is used. In goods traffic, their use may be restricted to consignments not involving transshipment; and in the case of "smalls", it may be further restricted to cases which do not involve a haul of more than, say, 1000 kms.

Handling of Consignments

6.21 As stated in para 6.15, there is almost total lack of mechanical handling facilities on the Railways. The rough handling to which goods are subjected to in the course of manual handling is an important cause of damage to goods. Such improper handling causes more serious hazards and, in turn, necessitates stronger protective packing involving higher costs. We have drawn attention elsewhere to the need for more careful handling and use of at least simple mechanical devices for this purpose. It would obviously not be possible to substitute use of fibre board for timber as packing material to any large extent unless the goods are handled with greater care, and we would therefore urge again that effective steps should be taken to improve handling. It may be mentioned here that it has been brought to our notice by Hindus'an Teleprinters that their machines packed in corrugated fibre board boxes despatched by Railways are suffering extensive damage, although prior to their introduction the fibre board boxes had undergone

*Cigarettes, crown cork, flattened tins, condensed milk, milk powder, coffee powder, footwears, enamelled ware, glass tumbler, lanterns, NOC, soap in cakes blocks or bars, unassembled parts of tin containers, printed tinned sheets, tinned discs, tea n packets.

†"The Packaging Media" by F. A. Paine, Blackie & Sons Ltd., Glasgow, 1977, pp. 1-89.

‡Taken from "The Packaging Media" by F. A. Paine, Blackie & Sons Ltd., Glasgow, 1977, pp. 1-96-1-97.

vigorous tests and had also been approved by the Indian Institute of Packaging and the boxes carry the legend "Handle With Care" in bold letters.

6.22 Incidentally, some of the existing packing conditions (as for example 20-A) which permit use of fibre board cartons in 25 kgs packs do not provide for strapping of the cartons. It has been reported that, in the result, flap doors of the containers get open in transit, resulting in spillage of the contents. It is thought that, to afford better security to the contents of the cartons, the packing conditions should be amplified to provide for their being secured by non-metallic strapping like carris-trip/nylon straps, atleast two straps being provided girthwise.

Qualified Railway Receipts

6.23 Some of the packing conditions are compulsory while others are optional. The rules require that the goods for which packing conditions are compulsory should not be accepted for booking unless the packing conditions are complied with (or more superior packing is used). All the same, the Railways do not ordinarily refuse booking of even such goods when the packing conditions are not complied with. However, in these cases, as also where optional packing conditions have not been complied with, the station staff qualify the Railways receipt (RR) with the remark that 'packing conditions not complied with'.

6.24 It may be explained here that it is very difficult, if not impossible, for the station staff to determine whether even the outer packing conforms to the specifications laid down. This is because the staff do not have the time, and much less the technical required, to determine whether the specifications have been complied with. In these circumstances, the staff are inclined to safeguard the Railways' (and their own) interests by qualifying the RR with the remark "packing conditions not complied with". It has been observed that this remark appears more often than not on the RRs and it has been alleged that it is made mechanically without any examination of the packing. We found that many stations had got rubber stamps, incorporating these remarks, manufactured, and used these to avoid writing the same remark again and again on the RRs. The consignors resent this as it handicaps them in getting compensation for damage.

Procedure for revision of Packing Condition

6.25 The undesirable state of affairs described above can be avoided only if :

- (a) the packing condition names the relevant ISI etc. specification; and

- (b) the shipping container used is (i) new, & (ii) bears a mark of "Quality" or approval as evidence of compliance with the prescribed specifications.

This is the practice abroad almost everywhere. In India, plywood chests used for packing tea for export are required to bear the ISI certification mark vide Tea (Distribution and Export) Control Order, 1957.*

Only manufactures licence by ISI to do so, under the ISI (Certification Marks) rules and regulations, 1955, can put the ISI certification mark on the containers manufactured by them. The licence is given only after thorough testing.

6.26 The producers of goods are interested as much as the Railways, if not more, in damage-free carriage of their goods. The packaging required for the product depends on its nature and the hazards to which it is exposed at various stages of distribution and producers should know these best. Secondly, the adequacy of a particular packaging media for a product can be properly determined only by a careful study of its properties in relation to the hazards occurring in the particular distribution system in a fully equipped laboratory staffed by experts in the field, supplemented by adequate field trials in actual condition of transport. In these circumstances, we thought the revised packing conditions should be prepared by the producers themselves and got checked by them by an expert institution such as the Indian Institute of Packaging (IIP) or Indian Standard Institution (ISI).

Accordingly, we asked a number of large manufacturers and industry associations to suggest the revised draft of the packing conditions for their products and get it checked by IIP/ISI. Where necessary the revised packing conditions could make separate provisions for (a) smalls and wagon loads, and (b) consignments requiring transshipment *en route* and those booked through to destinations.

6.27 As explained in paras 24—25 above it is not practicable for the station staff to verify in each individual case whether the packing condition have been complied with and this difficulty can be overcome only if the container is new and bears a mark of 'quality' or approved as evidence of its compliance with the prescribed specifications. We therefore asked the firms and industry associations in question to confirm that they will have no difficulty in following the following procedure :—

- (i) the container used should be obtained only from the suppliers borne on an

*Reproduced in "Packing Laws & Regulations" by K. K. Chaudhary and M.R. Subramanian. The Book Centre Ltd. Bombay, 1978 pp 282-283.

approved list of manufacturers who are certified to manufacture the containers to the required specifications. The list of approved suppliers could be prepared by, say, the IIP/ISI after suitable inspection of the manufacturers works and processes.

- (ii) the container/packing should be prominently marked by the manufacturers with an approval stamp (guaranteeing that it complies with the technical requirements laid down in the Railways' packing condition).
- (iii) the sender should state in the forwarding note that the packing is new and it bears a stamp of quality or approval as mentioned earlier.

6.28 We assured the firms and industry associations that the Committee would consider favourably revision of packing conditions as may be acceptable to both the shippers and the IIP or ISI provided the conditions mentioned in the preceding sub-para are acceptable to the shippers. Nevertheless, there was very poor response to our approach. We received only two or three proposals for revision of the packing conditions and these are being examined further by the Railway concerned. Unfortunately, however, even in these cases, there was no positive confirmation that the firms concerned would be willing to comply with the conditions mentioned in para 1.27 above.

6.29 Although the response to the proposals made above has been disappointing, we consider that the action on these lines would be the only practicable way of revising the packing conditions in the light of the varying requirements of different products and in line with the modern business practice. We are confident that large firms and industry associations would in due course take action on these lines in association with IIP and ISI as it would benefit them in the long run—it will bring down the cost of packaging to the minimum necessary to do its job effectively and enable consignors to get compensation for damage when it occurs. We therefore recommend that further action be taken on these lines.

6.30 It has been brought to our notice that suppliers of packaging are likely to charge more if they are required to certify on each package that it conforms to the required specifications. In view of this, and as an incentive for expeditious adoption of the use of new standard packing, the Railways may allow certain tariff reduction for the conveyance of goods despatched in new standard packings bearing IIP/ISI certification mark denoting compliance with the prescribed specifications. The amount of the

rebate would depend on the circumstances of the case and may be determined by the Railway Board as each revised packing condition is finalised.

6.31 At the same time, the Railways should take steps to identify products which are getting damage, or are damaging railway wagons, due to inadequate or inappropriate packaging and develop revised packing conditions therefor in consultation with appropriate specialised agencies. Examples of the first variety are transformers (Central Railways), Poppy seeds (South Central Railway) in goods traffic and edible oils in tins (Central Railway) booked as Parcels. Such products could be identified by a joint team of the Railways and IIP/ISI and the revised packing conditions therefore developed in consultation with these institutions. Steel is an example of the second variety. It is understood that the RDSO has already done a great deal of work in developing revised packing standards for steel in consultation with the producer, and these would be finalised before long. In both the cases, of course, the consignors should be given a suitable rebate in freight charges, whenever goods are packed in conformity with the new standard packing and the packaging bears a mark of "quality" or approval as evidence of the fact that the prescribed standards have been observed.

Adoption of Improved Packing

6.32 The railway should also take advantage of the research being conducted by certain industry associations to improve packing with a view to reducing losses in the course of distribution. A case in point is cement :

(a) Almost all cement produced is distributed in 'DW Cement' jute bags, mainly in new bags and partly in old bags. The ratio of old to new bags is fixed by the Government and it is now 80 new: 20 old. Due to the porous nature of the jute fabric, and multiple handling of bags at various points, there is a large seepage of cement. Moreover, bags are handled by iron hooks during loading and unloading and this increases the loss through seepage. The overall loss of cement through seepage—whether transported by rail or by other modes of transport—is estimated to be between 1.0 to 1.5 million tonnes and in terms of value this means a loss of about Rs. 25 to 35 crores at current domestic prices. (The loss from used bags is understandably more than from new bags—we were told that tests carried out by one major cement manufacturer had shown that a mix of 80 new: 20 old bags results in a loss of 6.75% at the point of consumer delivery and this is reduced to 6% if only new bags are used. It is therefore obviously desirable that only new bags should be used. The additional cost in pack-

aging would be more than offset by the saving in cement. Further, the Cement Research Institute has designed a double hessian bituminised bag, and Anglo India Jute Mills is developing a more closely knitted bag than the existing jute bag. We were given to understand that the use of the improved design bags is expected to considerably reduce the losses through seepage, and on the whole their use would be of advantage even though each bag would cost more than the existing bag. Railways should pursue the question of prescribing use of only new bags, preferably of the improved design, and change the packing conditions accordingly, a suitable rebate in tariff being granted where new design bags with 'Quality' or 'approved' mark is used.

(b) At present only 1 per cent of the cement produced is distributed in bulk. This is in marked contrast to the pattern in other countries where the major part (over 90% in USA) is distributed in bulk. It is understood that tests have established that significant economy can be achieved by distribution of cement in bulk, and it has therefore been suggested that it will be highly desirable to arrange for transport of naked cement in BOX wagons (with bituminised paper or hessian sealing of all exists and openings) and BOX wagon loads of drums (holding capacity 250 kgs/drum). In our view, the Railways should take steps to promote transport of cement in bulk and, in order to encourage it, the Railways may consider granting a tariff rebate on cement despatched in bulk.

The price of cement is fixed by Government taking into account the cost of packaging and transport. In this case, therefore, action on the lines mentioned above would have to be taken in concert with the Ministry of Industry.

6.33 We have received a few specific proposals for change in the packing conditions of certain commodities. The particulars of these are given in Statement 6.3. M/s. Hindustan Lever Limited, who have made the proposals listed at S. No 6, 7 & 8, have stated that "we are also arranging to get these packaging conditions certified by IIP". In the case of eggs (S. No. 17), it is understood that Northern Railway is already accepting eggs packed in the manner proposed which is stated to be in accordance with the trade practice, and apparently the fibre board corrugated packing has been found to withstand the hazards of risk involved.

6.34. We would suggest that all these cases may be dealt with in the light of our general recommendations in paras 6.29 to 6.32 above. In the meantime, the packaging conditions may be modified experimentally on the lines proposed by the Railways as indicated against each item in the statement.

Special Conditions

6.35 Apart from the internal and outer packing conditions referred to earlier, there are 53 special conditions applicable to different commodities. Some of these are in the nature of packing conditions; the special condition 27 reproduced below which applies to grains and pulses, oilseeds, sugar, etc., is one such condition.

"Consignments when in wagon loads should invariably be protected at the doors with dunnage materials by the consignor. The dunnage will consist of six bags, three on each side of the flap door except in case of traffic involving transshipment from Broad Gauge to Metre Gauge or Narrow Gauge wagons when the number of dunnage bags, provided must be twelve. The bags should be stuffed with suitable materials, such as crushed sugarcane (baggasse), paddy husk or straw, and the size of a dunnage bag should not be less than 100 cms x 60 cms with a minimum thickness of 30 cms. The bags shall be placed in a vertical position side by side so as to fully cover up the flap door crevices. These bags will be carried by the railway to the destination station free of charge.

NOTE :—The Railway will not accept goods for booking if S/27 is not complied with."

The condition is compulsory i.e. unless it is complied with, the consignment will not be accepted for carriage. However, it is observed that, in practice, the station staff do not reject the consignments where the dunnage required by the special packing condition is not provided, but accept them for booking even though the special condition has not been complied with. It is practically not possible to ensure strict observance of this condition also because, in some cases, loading cannot be supervised by the staff when the number of wagons being loaded is heavy. The parties also, in some cases, threaten diversion of the traffic to road in case compliance of this condition is insisted upon.

6.36 In view of the position explained, we recommend that the existing specified condition 27 should be made optional. In the event of its non-compliance or improper compliance, instead of rejecting the booking of the consignment, suitable remarks regarding its non-compliance or defective compliance should be obtained from the senders on the original Forwarding Note and reproduced in the Railway Receipts so as to protect the Railway liability for the losses/damages arising from such non-compliance or improper compliance of this condition.

Amending Packing Conditions as a Trial Measure

6.37 It appears that at present packing conditions are amended only by the Railway Board and this normally done on the recommendations

of the Commercial Committee. The existing procedure involves a lot of delay, and, in the circumstances of the case, often the decision has to be made without adequate practical experience of the behaviour of the proposed packing in actual conditions of transport. We would suggest that the individual Railway administrations may be authorised to amend packing conditions at their discretion as a trial measure for, say, one year, in cases of the following types :

(a) in local booking only.

(b) inter-Railway booking not involving transshipment where the other railways concerned also agree to the change.

The existing procedure may, however, continue to be followed where a general change applicable to all Railways is made.

Packing Condition for Export Traffic

6.38 The packing conditions for goods meant for export must be in conformity with the statutory orders issued by Government therefor. This is not so at present in certain cases e. g. Textiles. Details of the rules made by Government in this connection are given in the publication "Packaging Laws and Regulations" published by the Indian Institute of Packaging. The Railways' packing conditions should be revised suitably wherever they are not in accord with the statutory orders on the subject. In regard to *imported cargo* the existing rules provide that "imported cargo with original packing even when not conforming to the packing conditions prescribed in this Tariff may, except in the case of goods falling within the scope of I. R. C. A. Red Tariff, be accepted by Port Authorities for despatch by rail provided the original packing is sound and equally good and the cargo booked immediately after unloading from the ships before delivery to the consignees or from the transit sheds at the Ports." The existing rule is reasonable and we do not recommend any change.

Recommendations of the Estimates Committee

6.39 The Estimates Committee (1978-79) have recommended that the Railways should hold exhibitions at important places to educate the trade and industry as to how heavy and fragile consignments can be economically packed and damage and shortage in transit avoided. We commend this idea.

STATEMENT—6-1

List of Indian Standards on Transport Containers

Sl. No.	IS	Title
Plastic Containers		
1	6312—1920	Polythylene containers for transporting liquids (5 litres and above) (<i>first revision</i>) (<i>under print</i>)
2	7959—1976	Polythylene jerry cans for foam compounds
3	1613—1960	Milk bottle crates

STATEMENT—6-1—contd.

Sl. No.	IS	Title
2. Metal Containers		
4	1783—1974	Drums large
5	916—1975	18-litre square tins (<i>second revision</i>)
6	2552—1979	Steel drums (galvanized and ungalvanized) (<i>second revision</i>)
7	3575—1977	Bitumen drums (<i>first revision</i>)
8	5682—1970	Open top drums and kegs
9	9445—1980	Aluminium containers for packing of liquid pesticides (5 litres and above) (<i>under print</i>)
10	1825—1971	Aluminium milk cans (<i>first revision</i>)
11	1373—1967	Tinned milk steel milk cans (<i>second revision</i>)
3. Glass Containers		
12	5715—1970	Glass carboys
4. Paper and Paper Board Containers		
13	2771(Pt I) 1977	Fibreboard boxes, Part I Corrugated fibreboard boxes (<i>first revision</i>)
14	2771(Pt II)—1975	Fibreboard boxes, Part II Solid fibreboard boxes (<i>first revision</i>)
15	7149—1973	Fibreboard boxes for canned sea foods for export
16	7601—1975	Fibreboard drums for general purposes
17	9313—1979	Corrugated fibreboard boxes for the export packaging of glass jars and bottle filled with processed foods
5. Wooden Containers		
18	1503—1979	Wooden packaging cases (<i>first revision</i>)
19	2674—1964	Plywood cases—battened construction
20	3071—1965	Wooden crates
21	3788—1966	Wooden boxes for packaging of apples
22	3805—1979	Pent-top wooden cases
23	7630—1975	Plywood drums
24	7698—1975	Returnable wooden crates for vegetables
25	10-(Pt-I)	Plywood tea chest, Part I General
26	7992—1975	Plywood cases for packing tobacco for export
27	8725—1978	Wirebond wooden boxes
28	8726—1978	Wirebond wooden crates
29	10(Pt V)— 1976	Plywood tea chest, Part V Assembly and packing
6. Jute Bags		
30	1943—1964	A—twill jute bags
31	2566—1965	B—twill jute bags
32	8115—1976	Double hessian jute bags for pesticides
33	3984—1967	DW-flour bags
34	3344—1965	DW tarpauling jute for packing (mint) coins
35	8117—1976	DW tarpauling jute bags for pesticides
36	2874—1964	Heavy cee jute bags
37	3790—1964	Hessian bags

STATEMENT 6.1—concl'd.

Sl No.	IS	Title
38	6340—1971	High density polythylene woven sacks
39	8069—1976	High density polythylene woven sacks for packaging of pesticides
40	2580—1965	Jute bags for packing cement
41	2875—1964	Jute Corn sack
42	7406—1974	Laminated jute bags for packaging fertilizers
43	3794—1966	Liverpool twill (L-twill) bags
44	4856—1968	New Jute woolpack
45	5595—1970	Posted bags

STATEMENT—6.2

Solid Versus Corrugated Fibre Board Cartons

From a technical point of view, either solid or corrugated fibreboard can be used to give a satisfactory package for almost any type of commodity, and normally the deciding factor as to which is preferable is the relative cost. In certain instances, however, there may be an advantage in using one material rather than another, and the following considerations which can apply in specific circumstances are worth noting:—

1. Solid fibreboard is more resistant puncturing, both from external hazards encountered in transport, and also when the article packed possesses sharp projections. Very irregularly shaped bolts, are more likely to puncture a corrugated case than a solid one.
2. Solid fibreboard is more resistant to wet or damp conditions than corrugated fibreboard, although the water resistance of both materials can be improved by various technical means. In particular, wax impregnation and coating with polyethylene are used to improve weather resistance of board. At least one UK company manufactures a resin-and-glass-fibre-reinforced corrugated board which can be used to produce cases shipped by deck stowage.
3. Although both types of cases are principally used as single-journey containers, there are a number of instances where several journeys are required from one container. This type of usage occurs principally where the manufacturer of the product has a closed distribution system in which the chances of loss of an empty container are relatively small. In this type of distribution system the case is delivered with its contents to the retailer, and empty cases from the previous delivery collected at the same time. Solid fibreboard generally gives better results for two main reasons. Firstly, it lasts longer, since the board cannot become crushed and, secondly, slight damage to the container is more easily repaired with gummed paper tape.
4. When the density of the product packed is high, solid fibreboard frequently gives better results, because under these conditions corrugated board is liable to become crushed and to lose its strength.
5. Solid fibreboard in the United Kingdom is normally made from waste, waste pulp lined on one side with a pure kraft sheet. The waste pulp, particularly when the manufacturing mill is located near tidal waters, is liable to contain excessive amounts of chloride, and this can cause trouble where metal articles are packed by promoting corrosion. This disadvantage of solid fibreboard is, to some extent, offset by the fact that corrugated fibreboard bonded with silicate of soda can be equally corrosive if in contact with certain metals, such as aluminium. In both instances, however, arrangements to prevent contact between the board and the metal are fairly easily made.
6. Where the contents of the package do not fill the case completely, corrugated fibreboard may have some advantage because of its greater rigidity. This greater rigidity is also of advantage in respect of the resistance of the container to the crushing forces produced by stacking, and therefore such contents as cartoned good might be preferably packed in corrugated board.
7. For packing canned goods, opinion is divided; some users consider that solid board is better, since the rims of the cans bury themselves in corrugated board and cause looseness of fit within the container; others prefer corrugated board because of the better-quality interior surfaces. In all probability the answer here is dependent on the method of marketing.
8. When the product to be packed is relatively light in weight, e.g., such commodities as breakfast cereals or soap flakes in cartons, the corrugated fibreboard case is almost invariably cheaper than the lightest-weight solid fibreboard case producible. Efficient

protection of the contents is achieved with a very light corrugated board because of the great rigidity of this material.

9. In certain instances, combination of solid and corrugated is better solution than either alone. Corrugated cases with solid board divisions, and solid cases with corrugated surrounds, are examples.

In modern industrial packaging applications, corrugated cases are often used with plastics liners for liquids. There is also a growing use of systems using fibreboard and shrink wraps, e. g., in the packaging of liquids in glass bottles it is possible to eliminate dividers between the bottles, holding them tightly together in a tray with a shrink wrap.

STATEMENT—6.3

Proposals for change in Packing Conditions for certain Commodities

S.No.	Name of the Commodity	Present Packing	Suggested Packing	Railway's recommendations
1	Telephone & Telegraph Instruments (Indian Telephone Industries)	Wooden boxes (P/17)	5&7—ply corrugated card board boxes in 25 kg. packs.	Central Railway has recommended that the suggested use of 7-ply boxes may be accepted for consignments moving in wagonloads not involving transshipment only.
2	Bal bearing and drilling rods	Do.	Corrugated fibre board cartons	Central Railway has not recommended the suggested packing, as corrugated fibre board cartons cannot withstand the heavy weight.
3	Electric bulbs and tube lights (Picco Electronics)	Do.	Do.	Central Railway has not recommended the suggested packing, the articles being handled by manual labour and are included in the list of 'Excepted Articles'.
4	Hawai Light-weight chappals (Bata India)	Do.	Do.	Eastern Railway has recommended adoption of the suggested packing in case of wagon-load consignments not requiring transshipment <i>en route</i> as hawai chappals are not susceptible to wet damage and cardboard boxes with nylon straps being strong.
5	Tea (Lipton India Ltd.)	5-ply corrugated box (P/55)	3-ply corrugated box	N. F. and S. E. Railways have not recommended adoption of 3-ply corrugated cardboard containers, the same being not considered fit for withstanding the transit hazard. S. E. Railway has also not recommended as consignments of tea packets packed in 3-ply corrugated fibreboard containers booked from Shalimar are figuring in considerable number of claims on Central and Western Railways.

STATEMENT—6.3—contd.

S.No.	Name of the Commodity	Present Packing	Suggested Packing	Railway's recommendations
6	Toilet requirements, i.e., blades, shaving cream, tooth paste (Hindustan Lever)	Internal—1P/2(a), 3(a), 3(b) External—Wooden cases (P/17)	As given in the firm's letter, copy in statement 6.4.	M/s. Hindustan Lever Ltd are getting their suggested packing conditions certified by the Indian Institute of Packaging, Bombay. They have also conducted extensive trials and have promised to furnish their report on trials to Western and Central Railways.
7	Soap, i.e., toilet soap, laundry soap (Hindustan Lever)	Internal—1(c), 3(b), External—P/7, P/17,		
8	Edible oils and fats (Hindustan Lever)	Internal—Nil External—Tin plate containers (P/3)		
9	Motor car, rubber tubes (Premier Tyre Co.)	Wooden boxes (P/17)	Gunny bags	Western Railway has not recommended adoption of the suggested packing, there being chances of rubber tubes getting punctured when the packets come in contact with other sharp-edged packet/packages.
10	Sanitary wares (Hindustan Sanitary-ware)	Wooden cases (P/17), (P/19) Fibreboard cartons with wooden ends (P/20)	Grass	Northern Railway has recommended acceptance of sanitarywares wrapped in grass packing in case of wagon-load consignments not requiring transshipment.
11	Paper (Andhra Paper Mills)	Bales or Bundles packed in strong paper (P/16) Gunny securely tied (P/26) Rolls securely tied and completely covered with gunny (P/34).	Water-proof materials (e.g., polythene or cellulide fibre)	S.C. Railway has recommended adoption of the proposed packing provided outer covering is of fully bituminised gunny.
12	White Jeera (Unjha Chamber of Commerce)	Double Jute bag (P/7(a)) (P/8(a))	Single Jute bags (P/12)	Western Railway has not recommended adoption of the suggested packing, as jeera, seeds, besides being costlier, are very sharp and without double packing their transit will not be safe.
13	Fibre glass M/S Fibre Glass (Pilkington)	Wooden boxes (P/17)	5 Ply corrugated card board boxes or polylined hessian bags.	They have been addressed to get their proposed packing conditions checked by the Indian Institute of Packaging/Indian Standard Institute.
14	Latex (Rubber Crude) M/S Hindustan Latex Ltd.)	Wooden boxes (P/17)	Corrugated boxes at Railway Risks	
PARCELS TRAFFIC				
15	Ball-Bearings	Wooden boxes	Fibreboard boxes	Central Railway has not recommended the suggested packing, as corrugated fibreboard cartons cannot withstand the heavy weight.

STATEMENT—6.3—concl.

S.No.	Name of the Commodity	Present Packing	Suggested Packing	Railway's recommendations
16	Chikoo (fruit)	Basket	Fibreboard/cardboard boxes	Central Railway has not recommended acceptance of the suggested packing as fresh fruits are bound to emit some moisture which will make the carton wet and consequently damage.
17	Eggs	Basket	Corrugated boxes (with inner packing of egg trays)	Northern Railway is already accepting eggs in the proposed packing and the same has been found to withstand the hazards/risks involved.

STATEMENT—6.4

Packing Conditions for Soaps, Toilet requisites, Refined Oils and Milk Food suggested by M/s. Hindustan Lever Ltd.

Packing conditions for toilet soaps/laundry soaps/detergent bars/cakes:

Inner packing condition—The individual cakes should be wrapped in wax paper/grease proof paper/polycoated paper. These cakes should be placed in an outer 3-ply corrugated box, in several layers, either on face to face or side to side or end to end.

Outer packing conditions—The outer box can be made of either 3-ply/5-ply corrugated box or solid fibre board. Depending on the weight content the grammage of solid fibre board shall vary from a minimum of 120 GSM upwards. The bursting strength and other properties of corrugated box should generally conform to the minimum requirement of IS 2771—1977. The gross weight of the outer box should not exceed 20 kgs. The corrugated layer would be made of either A (36 flutes/foot) or B (52 flutes/foot) or C (42 flutes/foot) flutes. The top and bottom flaps must be glued properly from inside. The adhesive used for box fabrication should be of good quality and should not discolour the printed matters on the surface. The box should be marked with a stamp 'RSC' (Railway specification cleared) provided this has not the above specifications.

Packing Conditions for Synthetic Detergent Powders:

Inner Packing Conditions—Synthetic detergent powders must be initially packed in fibre board cartons lined with a layer of bitumen or polyethylene or hot melt or saran (PVAC) for

moisture protection. Alternatively these can be packed in paper/polythelene bags or/plain polythelene bags properly sealed. The strength of the carton/sachet/bag should be sufficient to withstand normal damages like buckling/building, tearing etc. These cartons/bags are to be placed in a corrugated outer box.

Outer packing condition—The corrugated outer box shall be made from 3-ply or 5-ply kraft paper/millboard or unbleached duplex board with grammage of 120 GSM and upwards. The corrugated layer may be made of either A flute (36 flutes/foot) or B flute (52 flutes/foot) or C flute (42 flutes/foot). The B.S. and other properties should generally conform to IS 2771-1977. The outer ply should be preferably made of bitumen or polyethylene lined kraft paper to make the box water resistant. The box should be closed properly by gluing from inside. The gross weight of the box should not exceed 20 kg. The inner cartons should be arranged vertically while the bags/sachet is stacked horizontally inside the outer box. The box should be marked with a stamp "RSC" (Railway specification cleared), provided this has met the above specification.

Packing Condition for Edible Oils and Fats :

Inner packing conditions—The edible oils and fats should be initially packed in hermetically sealed tins, polyethylene jars or plastic pouches or lined paper board canisters. The seal/seam should be such that there is no leakage from the seal/seam joints in any of the above mode of packing. The pack strength should be sufficient to withstand normal handling/journey conditions. The unit weight of inner packs would vary from 50 gm to 25 kg.

Outer packing conditions—Tins are normally despatched without any other outer box by using hay/straw between layers as dunnage. Wherever an outer box is required for any of the above inner packs it should be made from 3 ply/5 ply corrugated box with ply grammage 100 GSM and upwards. The fluting should be either A (36 flutes/foot) or B (52 flutes/foot) or C (42 flutes/foot). The corrugated box should conform generally to IS 2771-1977 for Bursting strength and other characteristics. The box should be marked with a stamp "RSC" (Railway specification cleared) provided this has met the above specification.

Packing condition for Toilet Preparations:

Inner packing conditions—The individual glass bottle, aluminium tube, plastic jar etc. containing toilet preparations should be packed in a suitable carton made of duplex board of "E" fluted board. The inner cartons are placed into secondary intermediate cartons with suitable protection of partitions and layer cards as necessary.

Secondary or intermediate packing conditions—The unit cartons are either bundled with kraft paper or shrink wrapped by shrink polyethylene film or placed in a secondary corrugated board carton with or without partitions. The function of secondary or intermediate packing is to provide a reasonable collation of unit cartons and additional protection. The corrugated box, if used, may be of three ply grammage 80 GSM upwards.

Outer packing conditions—The outer box shall be made of either 3/5-ply corrugated or solid fibreboard box or plywood/wooden case. The corrugated box should be made from 3 or 5 ply kraft paper or mill board or unbleached duplex board with ply grammage 129 GSM and upwards. The bursting strength and other properties should generally conform to IS 2771 of 1977. The box should be marked with a stamp "RSC" (Railway specification cleared) provided this has met the above specifications.

CHAPTER VII

MISCELLANEOUS COMMERCIAL MATTERS

Crane Charges

7.01 In terms of Rule No. 128(2)(e) of IRCA Goods Tariff, the loading and unloading of heavy machinery, long timber or other heavy articles weighing one tonne and over per piece is to be done by the consignor/consignee. When a consignment is of such a size and weight as to make it necessary to use crane power to load or unload it, the owners have thus the option of arranging for loading/unloading themselves, but if a hand, steam, petrol, electric or diesel crane belonging to the Railway is used, the following charges, as prescribed under Rule 130 of IRCA Goods Tariff, are to be levied:

	Lifting capacity of the crane (Tonnes)	Charges per hour or part of an hour Rs.
(a) Fixed hand crane	of all lifting capacities	7
(b) Travelling hand crane	{ 1—10	35
	{ 11—20	54
(c) Fixed or travelling Steam/Petrol/ Electric/Diesel Crane	1—10	54
	11—20	72
	21—30	84
	31—100	90
	101 and above	156

There was no standard crane charge provided in the Tariff prior to 1961, and it was left to each Railway to fix the same. It was only in 1961 that the crane charges were standardised and provided in the Goods Tariff for uniform application over all the Railways.

7.02 The charges at present notified are those revised in 1976-77. We have considered the elements taken into account in working out the costs and are of the view that these are reasonable. These costs are worked out on the basis of one shift of 8 hours per day. We consider these to be reasonable as costs worked out on the basis of average number of hours worked would be abnormally high.

7.03 It is, however, necessary to escalate these charges by 30% for arriving at the current charges. These charges will also have to be escalated from time to time as in the case of freight charges.

Crane Haulage Charges

7.04 Each Railway has nominated certain stations where cranes are available for public use. When a crane requisitioned for is brought from a station other than the nominated stabling station, haulage charges for the distance from the depot station from which the crane is sent to the point where the crane is required and back to the depot station are levied subject to the usual minimum distance for charge of 40 km. per trip in terms of Rule 130(2) of IRCA Goods Tariff.

The existing crane haulage charges in force from 15-6-1975 are indicated below:—

	BG per km.	MG/NG per km.
	Rs.	Rs.
4-wheeled	1.10	0.75
6/8-wheeled	2.20	1.50
10-wheeled & above	4.40	3.00

The cost study made reveals that the haulage cost per km. is Rs. 1.33 in case of 8-wheeled crane, Rs. 1.99 in case of 10-wheeled crane, Rs. 2.74 in case of 14-wheeled crane and Rs. 4.57 in case of 20 wheeled crane.

It is thus seen that except in the case of 20-wheeled crane, the cost of haulage is at present being covered by the existing crane haulage charges. We, therefore, do not recommend any change in the existing crane haulage charges.

Charges for Dummy Wagons attached to Crane

7.05 When a wagon is attached as a guard or dummy or trailer, a charge of Re. 0.75 paise per kilometre for BG and Re. 0.50 per km. for MG/NG is levied in addition. Taking into account the haulage cost, we recommend a uniform haulage charge of Re. 1 per km. per 4-wheeled wagon for all gauges.

7.06 We would also like to mention in this connection that with larger numbers of heavy lift consignments being booked to more and more stations in the wake of the industries being set up at various new locations, the Railways should plan for more cranes including road cranes being provided. It will also be useful to encourage private road cranes operating at such stations so that consignees can have the benefit of these road cranes at reasonable rates. This is already being done at stations like Delhi on the Northern Railway. Railways can think of licensing the operation of such road cranes on mutually agreed terms.

Demurrage & Wharfage

7.07 It has been represented to the Committee by a number of major rail users including Public Sector Units like Coal India Ltd. (CIL) and SAIL that the free time allowed for loading/unloading of rafts of wagons/full train loads is generally not adequate. In their memorandum, the CIL have indicated that the free time of 8 hours for loading a rake of 20 BOXES and above for manual loading was not adequate (in case of mechanical loading, the free time allowed was only 5 hours irrespective of the number of wagons). It was further pointed out by the CIL that a time study which had been carried out for loading of BOX wagons had clearly brought out the inadequacy of the free time permitted.

7.08 The Railways being better suited to carry bulk traffic, increasingly greater percentage of traffic will be carried in train loads/rafts of wagons in future years to come. With a view to encouraging greater quantum of traffic to move in train loads/rafts of wagons, the Committee has already made recommendations for giving suitable rebate in freight rates when consignments are booked in train loads or in rafts of wagons (Para 14.31 of the Main Report). In view of this, it is felt that the demurrage rule should be framed realistically so that the same do not work against the encouragement for more and more bookings in train loads/rafts of wagons.

7.09 It is recommended that time studies should be carried out jointly by the representatives of the Railways and its major users with a view to determining realistically the time required for loading/unloading of full train loads/rafts of wagons (in multiples of 10 BOXES each) particularly at important locations where considerable quantum of traffic originates/terminates. It may be added that unrealistically tight free time for loading/unloading purposes does not really bring about any significant improvement in wagon utilisation. In fact, in most of the cases it leads to

increased correspondence regarding waiver of demurrage charges. The free time will have to be determined in respect of different commodities instead of having a uniform free time for all commodities. It is obvious that heavy consignments, like iron and steel, require more time for unloading than packed consignments like food-grains. Again, commodities in bulk, like coal and iron ore, can be unloaded much more quickly, particularly if there are side opening wagons. All these must be kept in mind while fixing a reasonable free time. It would also be worthwhile considering a lower rate of demurrage for exceeding the free time only marginally and having a system of demurrage charge which increases with the hours of detention. There could be a rate where the detention is only, say less than 12 hours, a higher rate for detention for above 12 hours but less than 24 hours and a still higher rate for detention for more than 24 hours.

7.10 We have also received representations against the orders issued by the Railway Board that Sundays should not be treated as *dies non* for purpose of wharfage. It has been pointed out that on account of the relevant labour legislation, it is not possible for trade to muster labour in all cases for removal of consignments on Sundays. While prompt removal of consignments from station premises without congesting the sheds is important, the conditions at all stations are not the same. We find that there are several stations/goods sheds where the accommodation available is adequate and no particular inconvenience will be caused if Sunday is treated as *dies non* for purpose of wharfage. The Railway Board may, therefore, give discretion to the local Railway administrations for exempting stations from such general instructions regarding wharfage, free time etc., taking into account the local conditions obtaining at these stations.

Charges for Haulage of Engines on Private Account

7.11 For the haulage of engines on private account, charges are, at present, levied at the following rates:—

- (i) For engines hauled on private account—Rs. 9.25 per engine per km. subject to a minimum of Rs. 1,000 per engine per trip.
- (ii) Engine loaned to outside parties—Rs. 9.25 per engine per km. subject to a minimum of Rs. 500 per engine per trip.

Supplementary charges introduced from 15-9-74, 1-4-76 and 1-4-79 are leviable in addition. Siding charges, if any, are also leviable.

7.12 The above charges were *ad-hoc* charges fixed by the Board and notified to the Railways. In 1960, the *ad-hoc* charge was Rs. 3 per km. The charge was revised from time to time taking into account the percentage increase in the cost of haulage. The changes made in these charges from time to time are indicated in Statement 7.1.

7.13 At present, no distinction is made in regard to levy of haulage charge between (i) dead engine hauled by scheduled goods trains and (ii) dead engine hauled separately or worked by its own power. The cost of haulage of engine hauled separately or worked by its own power would be higher than when it is hauled attached to a goods train. The cost of haulage of engine during 1976-77 has been estimated as under:—

	Per kilometre	
	BG	MG
	Rs.	Rs.
(i) Cost of haulage of dead engine by scheduled goods train.	3.30	3.16
(ii) Cost of haulage of engine hauled separately or worked by its own power.	8.37	9.18

7.14 Taking the above cost and escalating it by 30 per cent so as to bring the cost to the present level and providing for 10 per cent profit, the cost of haulage of engine would work out as under:—

	Per kilometre	
	BG	MG
	Rs.	Rs.
(i) Cost of haulage of dead engine by scheduled goods train.	4.72	4.52
(ii) Cost of haulage of engine hauled separately or by its own power.	11.97	13.12

7.15 We recommend the following charges for the haulage of engine on private account irrespective of whether it is a BG, MG or NG engine:—

- (i) For private engine hauled attached to scheduled goods train—Rs. 5 per engine per km.
- (ii) For private engine hauled separately or worked by its own power—Rs. 15 per engine per km.

Charges for Haulage of Empty Wagons on Private Account

7.16 At present, charges are being levied for the haulage of empty wagons on their own wheels on private account at the following rates:—

- (i) When hauled by scheduled goods train—Rs. 1.25 per 4-wheeled wagon per kilometre subject to a minimum charge for 40 kilometres irrespective of whether the wagon is BG, MG or NG.
- (ii) When hauled by special train—Rs. 61 per kilometre subject to a minimum of Rs. 2,440 per train on BG and Rs. 55 per kilometre subject to a minimum of Rs. 2,200 per train on the MG/NG.

If the charges at the rate of Rs. 1.25 per kilometre for the actual number of wagons hauled by a special train work out higher than the charges at the rates indicated in item (ii) above, the former would be leviable. Supplementary charges introduced from 15-9-74, 1-4-76 and 1-4-79 are leviable in addition.

7.17 The above charges are *ad-hoc* charges notified by the Board from time to time.

7.18 For the haulage of dummy wagons, the Committee have recommended in their Main Report levy of charges at Class 200 for a weight of 60 quintals in the case of BG wagon, 45 quintals in the case of MG wagon and 35 quintals in the case of NG wagon. We recommend that for the haulage of empty wagons on their own wheels on private account, charges may be levied on the same basis. This will ensure that the rates cover the dependent cost of haulage for all loads. Further, the parties will also get the benefit of telescopic rates.

7.19 When empty wagons on private account are hauled as special train, charges may be levied at Class 200 for 60 4-wheeled wagons at 60 quintals each in the case of BG, for 40 4-wheeled wagons at 45 quintals each in the case of MG and 30 4-wheeled wagons at 35 quintals each in the case of NG.

7.20 The rates for the haulage of a BG 4-wheeled wagon on private account by scheduled goods train at the existing rates and at the proposed rates for certain representative distances are furnished in Statement 7.2.

Charges for Transport of Consignments by Special Trains

7.21 Prior to February 1975, charges for transport of consignments by special train were leviable at the rate of Rs. 73 per kilometre on

Broad Gauge and Rs. 65 per kilometre on Metre Gauge subject to a minimum charge of Rs. 2,920 and Rs. 2,600 for Broad Gauge and Metre Gauge respectively. If the charges calculated at the tariff classification worked out higher than the above rates, the charges at tariff classification were leviable.

7.22 In addition to the above rates, the following charges are also leviable:—

- (i) Infringement charges at the rates notified in the Goods Tariff if the consignment is oversized.
- (ii) Percentage charge on the value declared by the party in the case of consignments coming under 'excepted articles'.
- (iii) Charges for the passenger coach, if any provided for accommodating the staff of the party at the normal fare notified on the carrying capacity of the coach.
- (iv) Actual cost of RPF staff escorting the train at the instance of the party. This cost should be worked out in advance and realised along with the freight.
- (v) When empty wagon of the consignor has to be brought by a special train from its base station to loading station or taken back from unloading station to its base station, half of the rate notified in para 7.21 above, will be leviable for the distance not covered by the journey between loading and unloading stations.

7.23 The basis adopted for fixing the rates for transport of consignments by special trains was the cost of haulage by a goods train and doubling it to take care of 100 per cent empty haulage plus 25% profit element.

7.24 The cost of operation during the year 1974-75 showed an increase of 68.1 per cent over the cost during 1971-72. Taking into account the increase in the cost during 1974-75 since 1971-72 and the basis adopted earlier, the cost of haulage of consignments by special trains worked out to Rs. 110.15 per train kilometre on the Broad Gauge and Rs. 98.98 per train kilometre on Metre Gauge. Accordingly, the rate of transport of consignments by special train was revised to Rs. 110 per kilometre on the Broad Gauge and Rs. 100 per km. on the Metre Gauge with effect from 1-2-75 subject to a minimum charge of Rs. 4,400 and Rs. 4,000 for Broad Gauge and Metre Gauge respectively.

7.25 The above charges have been further escalated by 10 per cent with effect from 1-9-79 and fixed at Rs. 121 per kilometre for Broad Gauge and Rs. 110 per kilometre for Metre Gauge subject to a minimum charge of Rs. 4,840 and Rs. 4,400 for Broad Gauge and Metre Gauge respectively.

7.26 We agree with the basis adopted for calculating charges for transport of consignments by special train except that instead of 25 per cent profit, only 10 per cent profit may be taken into account.

7.27 On the above basis and by escalating the cost during 1976-77 by 30 per cent to bring it to the present level, cost for transport of consignments by special train works out as under:—

	B.G.		M.G.	
	Rs.	P.	Rs.	P.
(i) Cost of hauling goods train per kilometre in 1976-77 (including interest).	53.83		43.15	
(ii) Cost escalated by 30 per cent	69.97		56.10	
(iii) 100% empty haulage	69.97		56.10	
(iv) Total of items (ii) & (iii)	139.94		112.20	
(v) Plus 10% profit	13.09		11.22	
Total	153.03		123.42	

7.28 We accordingly recommend the rate of Rs. 155 per train kilometre subject to a minimum of Rs. 7,750 on the Broad Gauge and Rs. 125 per train kilometre subject to a minimum of Rs. 6,250 on the Metre Gauge. The other charges referred to in para 7.22 above may continue to be levied in addition as at present.

Charges for Traffic Booked from One Siding to Another Siding in the Same Station Area

7.29 At present, on traffic booked from one siding to another siding in the same station area, in addition to siding charges at both ends, freight charges are levied at the lowest class, viz., Class 32.5 for a distance of 40 kilometres.

7.30 Movement of traffic within the same station area will, in many cases, involve movement over main line. Further, such movements will cause lot of detention to wagons. It is therefore, desirable to discourage such movements by suitable pricing.

7.31 In the Freight Structure proposed by us, a minimum distance for charge of 50 kilometres has been proposed. Instead of charging the traffic booked between sidings at the same station area at the lowest Class as at present, we recommend that such traffic may be charged at the proposed Class 100 rate for a minimum distance of 50 kilometres on the average loadability of 20 tonnes for Broad Gauge and 14 tonnes for Metre Gauge, 4-wheeled wagons. On this basis, freight charges for such movements would work out to Rs. 386 per 4-wheeled Broad Gauge wagon and Rs. 280 per 4-wheeled Metre Gauge wagon (inclusive of terminal charge). Siding charges at both the ends will be leviable in addition as at present.

Rebate in Freight in cases where Weighbridges are provided by Private Parties

7.32 Weighment of wagons at the booking-end is necessary not only for the purpose of calculating the freight charges correctly but also to guard against the possibility of overloading of wagons. Overloading of wagons may not only result in loss of revenue to the Railways if not detected but is also a safety hazard. During the meetings of the Committee with the various Chambers of Commerce and trade associations, the rail users have also emphasised on the necessity of weighment of consignments at the booking-end so that the shortages, if any, in transit could be pinpointed.

7.33 The Railways have been making efforts to provide requisite wagon weighbridges at the various places particularly at the points where commodities such as coal, iron ore etc. are loaded in bulk. However, it is found that the facilities of wagon weighbridges are still far from adequate. With a view to overcoming this inadequacy, the Railway Board have been encouraging private parties to provide their own weighbridges for which a suitable rebate in freight is given to them.

7.34 In terms of Railway Boards instructions dated 10-2-1964 rebate on a lumpsum basis equal to 10½% of the capital cost of weighbridge plus the cost of railway staff considered necessary and employed for weighment purposes was allowed for 90/100 tonnes weighbridges to collieries whose monthly production and despatch was 39,000 tonnes or more subject to the condition that such rebate did not exceed 10 paise per tonne of coal weighed on the weighbridge for despatch in each quarter. Subsequently, in February, 1976 the minimum of 39,000 tonnes loading per month for a colliery owner to become entitled for weighment rebate was dispensed with as per recommendations of the "Study Team on Coal Transport Planning during the

Fifth Five Year Plan." The rebate was also made available for lime, lime stone, dolomite, stone, gypsum, sand, bricks, tiles, china clay, iron ore, manganese ore, petroleum coke and bones. This rebate of 10 paise per tonne is available for 90/100 tonne weighbridges both for conventional type as well as electronic automatic weighbridges.

7.35 A rebate of 6 paise per tonne was allowed for lower capacity weighbridges without any ceiling limit. However, according to the instructions issued in February, 1976, the owners of the lower capacity weighbridges were given the option either to continue the old rate of 6 paise per tonne without any ceiling or to opt for the rebate of 10 paise per tonne with the prescribed ceiling of 10½% of the capital cost of the weighbridges plus the cost of staff.

7.36 The Committee has received representations that the existing rebate in freight for private ownership of weighbridges is not adequate. An extract from the memorandum received from the CIL in this connection is enclosed as Annexure 7.1. According to the calculations made by the CIL, they have requested for a rebate of 36 paise per tonne per weighbridge.

7.37 In arriving at the ceiling limit of 10½% of the capital cost of the weighbridges, the Railways have provided for the various elements as follows:—

(i) Depreciation charges	21%
(ii) Maintenance charges	3%
(iii) Interest charges	5%
Total	10½%

So far as provision for depreciation is concerned, we should take the life of weighbridges as 25 years in the light of instructions issued by the Railway Board in August, 1977. According to that the depreciation should be provided at the rate of 4%. In regard to the interest charges, it has to be borne in mind that the Railways are required to pay a dividend of 6% for the new capital and, therefore, the interest charges should be calculated at 6%. In this connection, it may be mentioned that the CIL have suggested depreciation at 15% and interest on capital also at 15%. These percentages suggested by the CIL are excessive and cannot be accepted, keeping in view the fact that the life of a weighbridge may be taken as 25 years and the Railways can get new capital at the rate of 6% interest. In view of the above, it will be appropriate to fix a ceiling limit of total rebate in a particular year at 13% of the capital cost of the weighbridge in question and not at 10½% as is the position at present.

7.38 It has been mentioned in the memorandum of the CIL that they have got 40 weighbridges of 100 tonne capacity and that they are weighing about 30 million tonnes of coal every year at these weighbridges. It works out to 0.75 million tonnes per weighbridge per year.

7.39 The capital cost of a 100 tonne weighbridge including the cost of erection, structure, etc. has been given as Rs. 5 lakhs. So far as the cost of railway staff and their amenities is concerned, the CIL have indicated the same as Rs. one lakh per annum. This is considered to be excessive. According to the report of the "Study Team for Coal Transport Planning", each weighbridge will require two weighbridge clerks and one weighbridge attendant and the total cost per annum for the same can be taken at the most to be Rs. 20,000 per annum. In view of the above, the ceiling limit for rebate should be worked out as follows:—

	Rs.
(i) Interest on Capital cost of Rs. 5 lakhs	30,000
(ii) Cost of Railway staff	20,000
(iii) Depreciation	20,000
(iv) Maintenance	15,000
Total	85,000

In case the quantity loaded per year for a weighbridge is 0.75 million tonnes as is the case with the CIL, the rate of rebate comes to 11.33 paise per tonne. However, it may be pointed out that most of the private parties will not be able to achieve such a high loading as the CIL. It would be desirable to calculate the rebate per tonne at the most on the basis of original minimum of 39,000 tonnes per month which was fixed in the Board's letter dated February, 1976. This itself will mean an average daily loading of about 65 wagons with an average weight of 20 tonnes per wagon. On this basis the rate of rebate works out to be slightly over 18 paise per tonne.

7.40 Having regard to the circumstances mentioned above and also keeping in view the fact that the Railways should encourage provision of wagon weighbridges by private parties, we recommended that the rebate for the provision of private weighbridges may be offered at the rate of 18 paise per tonne of the traffic loaded and weighed at the weighbridge subject to a maximum of 13% of the capital cost of the weighbridge plus the cost of staff provided to operate the weighbridge. It is also recommended that this rebate should be admissible for all commodities and for all types of wagon weighbridges.

Rebate in freight for traffic transported in wagons owned by private parties.

7.41 Railways have been receiving requests from rail users for allowing transport of consignments in wagons owned by them subject to the condition that Railways would give suitable rebate in freight to compensate them for the expenses incurred on the provision of such wagons. Such rate concessions have been granted by the Railway Board in the case of movement of liquid ammonia in tank wagons owned by IFFCO and the Fertiliser Corporation. Railway Board have indicated the guidelines under which private ownership of tank wagons may be allowed. It has been indicated that private ownership can be permitted in respect of all restricted types of tank wagons—tank wagons which can be used only for the particular traffic for which they are designed and constructed like tank wagons for Hydrochloric Acid, Liquid Ammonia, etc. Rebate in freight on traffic carried in such wagons is, at present, allowed subject to the condition that the wagons move in block rakes in close circuit.

7.42 According to the present procedure, the quantum of rebate to be given in respect of traffic carried in privately owned wagons is determined in such cases individually. The rebate is arrived at keeping in view the following factors:—

- (i) the freight earned by the Railways should at least cover the dependent cost;
- (ii) the amount which the Railways will save on account of the interest and depreciation if the users are allowed to own the wagons and also on account of maintenance, if the owners are required to undertake or pay for repairs;
- (iii) the quantum of traffic in terms of net tonne kms. to be moved during the year by these wagons; for this purpose the turnaround adopted should be realistic and liberal. Net tonne kms. should be converted into the total freight earnings likely to accrue;
- (iv) Percentage of 'saving in expenses' to the 'freight earnings' should be the basis for fixing the concession; this can be further adjusted depending upon the margin of profit, quantum of traffic, vulnerability to diversion to road, extent of terminal facilities required, movement in block rakes, possibility of loading wagons in return direction, etc.;

- (v) no separate charge be levied for empty haulage, as the classification of the commodity would cover this characteristic.

7.43 Accordingly, a rebate of 20% in freight rate has been notified by the Board for the following traffic:—

- (i) For liquid Ammonia traffic in tank wagons owned by Messrs. IFFCO and moved in block loads from Kalol to Kandla.
- (ii) For Liquid Ammonia traffic in tank wagons owned by the Fertiliser Corporation of India and moved in block loads from Trombay to Nangal and Rourkela.

7.44 The methodology, at present, followed for determining the quantum of rebate to be allowed for traffic transported in wagons owned by private parties is, to our mind, reasonable. However, it is seen that there is a considerable time-lag between the receipt of request for freight rebate and the issue of notification for rebate in freight on traffic moved in such wagons. It may be ensured that such cases are dealt with expeditiously and necessary rebate in freight allowed without delay.

Claims

7.45 In the several memoranda that we have received from various Chambers of Commerce and other trading interests and during the oral evidence before us in different parts of the country, it has been pointed out to us that the quality of service on the Railways leaves much to be desired and one point that has been frequently stressed before us is that there is loss, deterioration or damage to consignments and where such loss or damage takes place, claims are not dealt with satisfactorily and expeditiously. We have gathered the impression that in this matter, the Railways image has to be considerably improved.

7.46 Particulars of compensation claims paid by the Railways, the commoditywise and cost-wise break-up etc., are given in Statement 7.3. While the amount of claims paid over the last three years compared to the freight earnings shows that the percentage of claims paid varied from 1.06 in 1976-77 to 0.97 in 1978-79, it has been represented to us in several places that claims which are normally to be paid by the Railways under its legal liability are not being accepted by the Railways, and parties in several cases have to take recourse to litigation before they get redress to their claims. It has

also been mentioned to us that in several cases, unnecessary expenditure has to be incurred in taking matters to the courts and once a case has been filed in courts, the Railways try to get an out-of-court settlement.

Claims Prevention Measures

7.47 Railways, no doubt, are taking several claims prevention measures. Some of the suggestions made to us for improving the position and reducing the incidence of loss and damage to goods are:—

- (a) Greater vigilance at terminals
- (b) Special security arrangements at vulnerable points at stations, yards and on sections
- (c) Necessity for armed escorts of goods trains over vulnerable sections
- (d) Greater involvement of State Governments in improving the law and order situation
- (e) Enlisting active support from the public to track down criminals and also to maintain greater vigilance
- (f) Improving the strength and designs of wagons to make them more pilfer-proof
- (g) Improvement in the standard of maintenance of wagons
- (h) Training of railway employees and porters in efficient handling methods
- (i) More accountability of railway staff for loss/damage.

7.48 Regarding the conditions of the wagons, the impression we have gathered is that the condition, particularly of covered wagons, on the Railways is far from satisfactory. This may be due to the fact that adequate attention has not been paid even to routine maintenance. The necessity for better attention to maintenance of wagons has been emphasized by us in our Main Report (vide paragraphs 2.17 to 2.19 and 6.44). The result of this state of affairs is that wagons are prone to pilferage by bleeding through the holes on the sides of the wagons, and the contents are also subject to damage by wet etc. as they are not leak-proof.

7.49 Detailed enquiries have been made earlier in regard to the claims on Railways by Enquiry Committees and it is necessary that follow-up action on the accepted recommendations should be sustained. In regard to security arrangements, the One-man Committee Report (Shri Kripal Singh's) has made a number of suggestions in this regard all of which have not been implemented. It has been represented to us by several officials that the strength of R.P.F. in

particular Divisions and Railways is not adequate. Greater coordination is required between the RPF and the Government Railway Police and indeed, between the State Governments and the Railway authorities. All these matters require urgent attention if the criminal interference to wagons resulting in loss and damage to consignments is to be prevented.

7.50 Our attention has been drawn to the fact that if lighting arrangements are improved in some of the major yards, it should be possible for the Railway Protection Force to make better security arrangements. The possibility of providing watch towers with flood lights could also be considered. It has also been suggested that when remodelling major yards, there should be provision for jeepable roads and pathways on which scooters, cycles etc., can be used so that better patrolling can be done. Better telecommunication facilities between different points in the yard would also be useful to ensure better security.

Settlement of Claims

7.51 In regard to settlement of claims one of the complaints which has been coming up before us at various meetings with trade interests is the inordinate delay in the processing of the claims. In this respect we find that the arrangements in the claims offices require modernisation and systematisation. The procedure for registration of claims, the method of keeping the claims files and processing require to be modernised and streamlined and this, in itself, will go a long way in expeditious disposal of claims. We have been told that in several claims offices, the letters in which the claims have been preferred are not even promptly registered and files opened. It will also be useful if standard forms are prescribed in preferring claims in which all the necessary data required to be given by parties could be indicated. Railways have, from time to time, been issuing certain pamphlets and folders indicating the procedure for preferring claims and the documents to be sent along with claims etc. These drives are made in spurts. It will be useful to systematise the whole arrangement and have proper filing methods introduced.

7.52 It would also be useful to have special arrangements in the claims offices for dealing with claims and representations from regular customers representing important trade interests which give regular traffic to the Railways. Taking particular care of claims and representations from such parties will also be useful from the marketing and sales angle.

7.53 One of the points which has been stressed before us is that at present there are no arrangements generally for settlement of claims in the

Divisional Offices. Parties from all over the Railways have to prefer their claims only at the Headquarters Office which, in many cases, is far away from the particular stations concerned. At present, the arrangements for settling claims locally at stations are limited to a very small number. I would, therefore, be useful to have arrangements for a claims office in Divisional Offices also for dealing with all claims local to the Division and other local claims pertaining to the Zonal Railway upto certain limits.

7.54 It would be desirable to have regular refresher courses for officers dealing with claims where, apart from the legal liability of Railways in regard to claims, the subjects could include public relations, business like practices and customer goodwill and satisfaction. While on this, we would like to mention that it has also been brought to our notice that Claims Officers who deal with claims cases expeditiously and with proper emphasis on customer goodwill are often looked at with askance. The tendency to look at normal exercise of delegated authority with suspicion should be avoided if the Claims Department is to function efficiently and give satisfaction to the large number of traders and customers dealing with the Railways.

7.55 There are complaints that even reasonable claims are not being paid promptly by the Railways and claims are often rejected on mere technical grounds. Even when notice under Section 80 is served on the Railways, they do not settle claims and it is only after cases are filed in the courts and a lot of expenditure is incurred that a compromise is arrived at and the claims settled. One point with regard to claims is that the total value of the claims now paid by the Railways is of the order of about Rs 14 crores. If all reasonable claims are paid, probably, the Railways will have to pay a little more, say of the order of two or three crores of rupees or so, but by trying to artificially limit the amount of claims paid by reducing the budget allocations, zonal Railways are sometimes repudiating claims which are normally and legally liable to be paid leading to a lot of dissatisfaction among customers and very often forcing parties to seek redress in courts. As the amounts involved are such a small proportion of the total freight, there should be a review of the whole policy so that there can be better customer satisfaction in this respect. While claims prevention measures require to be pursued with vigour, where the damage or loss has already occurred, Railways should show more readiness to accept responsibility wherever due and make payments gracefully.

Re-weighment

7.56 One of the frequent representations we have heard from Chambers of Commerce is that

even when the parties suspect *prima facie* shortage in wagon load consignments, very often the Railways do not agree to reweighment so that it becomes difficult for the parties to press their claims in the event of a shortage. We have commented on this aspect in paragraph 16.61 of our Main Report and are of the view that normally, wherever the reweighment charge is paid the requests for reweighment should not be declined particularly in regard to commodities like iron and steel, the weighing of which at the booking end is invariably witnessed by a railway clerk and, therefore, any shortage can be established at the destination end by reweighment if the parties from their experience find that shortages are occurring frequently.

Issue of Clear Railway Receipts

7.57 Another aspect of claims which causes frequent customer dissatisfaction is the fact that the Railways very often do not issue clear receipts. Various qualified remarks are made in the railway receipts. We have made sample studies of the invoices and the railway receipts issued at some of the major goods sheds and find that a very large number of railway receipts have qualifying remarks, some of them unnecessary. Even in regard to packing conditions, it has become a practice to make very general and vague qualifying remarks without specifying the actual defect in the packing condition. These are matters which could be rectified by frequent inspection of goods sheds by commercial officers and education of staff, provided the Railway administrations emphatically accept the view that such qualified receipts will be frowned upon unless found justified.

7.58 One general practice which has come up for a lot of criticism by not only private parties but also major public sector undertakings is the practice of issuing 'said to contain receipts' in respect of even bagged consignments. This, to our mind, is mainly because there is a tendency on the part of both the Railways and the users to take a rather narrow and legalistic view of matters like issue of clear receipts and consequent liability of the Railways. It should not be forgotten that the Railway is a great commercial organisation dealing with a large number of clients and working through hundreds of employees. There is a tradition of mutual trust built up over the years between the users of the Railways and the staff handling consignments at booking and receiving ends. A lot of day-to-day working arrangements are based on this mutual trust, apart from tariff rules and regulations, agreements and legal formalities. Considered in this view, we feel that it should be possible for the railway staff to issue clear receipts with regard to the number of bags loaded in respect of food-grains, fertilisers, cement etc., when adequate number of clerks are available or supervision. The normal practice is that such bags are loaded

in tiers in the wagon, and the goods clerks are able to make a check of the tiers and of the number of bags in each tier, and arrive at the total number of bags loaded; and this would normally tally with the number of bags mentioned in the forwarding note. Very meticulous and detailed counting of the bags will not, in the very nature of things, be possible nor is it necessary to give clear receipts in such cases. Over the years, it has been the practice to give clear receipts in respect of such loadings and we find that the tendency to issue 'said to contain receipts' has arisen because, in some cases, when minor shortages are seen in seals-intact wagons, parties have been insisting on Railways accepting claims on the basis of their legal liability under the Railway Act. To our mind, it should be possible for the Railways and the consignors/consignees, in respect of regular customers, to have working arrangements by which, under normal conditions, railway clerks can give clear receipts after making the *prima facie* checks required to arrive at the number of bags loaded and the parties not insisting on claims in regard to minor shortages from seals-intact wagons which, *prima facie*, arise due to short loading. Where there are substantial shortages, no doubt, the matter will have to be enquired into and liability accepted on the merits of the case. We are mentioning this only to show that if there is proper understanding and working arrangements mutually agreed upon between the Railway, which is after all a commercial organisation, and its customers, elaborate administrative arrangements can be saved and there can be mutual satisfaction also. In our discussions with various trade interests, we got the impression that the trade is willing to accept the position that where there is a small shortage in the number of bags in seals-intact wagons, they may not press and claim in which case Railways should be able to give clear receipts even where there is mechanical loading as in the case of fertiliser and cement factories. It is, of course, necessary to have adequate number of clerks to supervise the loading to make the essential checks and this is a matter to be decided by mutual discussion according to the local conditions obtaining in the field.

Improved Methods of Handling Consignments

7.59 Railways at most of the stations and transshipment points are still following outmoded methods for handling consignments. For example, heavy wooden boxes are just rolled about on the platform for being loaded into wagons or when being unloaded and hooks are used for handling of bagged consignments. This results in considerable damage to the consignments while handling. There are a number of cheap handling devices now available which can be used with advantage for moving consignments on the platforms to unload from brakevans and wagons and taking them to the parcel offices, goods sheds

etc. Some of the industries like the Indian Telephone Industries at Krishnarajapuram, Bangalore, Bharat Electronics Ltd., Bangalore, etc., are using some of these aids like small rollers, wheeled crowbars etc., etc. with advantage. Such aids can be used at goods sheds, transshipment sheds etc.

Claims Tribunals

7.60 We understand that a decision has been taken to appoint Claims Tribunals to deal with claims cases and to avoid unnecessary litigation. We hope that expeditious action will be taken in regard to setting up of such tribunals.

Suite-barred Claims

7.61 Apart from the considerable delay in the settlement of some of the claims it has been represented to us that the present practice in regard to dealing with suit-barred cases also results in considerable customer dissatisfaction. According to present practice claims cases that are not being settled within three years of the date of booking are considered as suit barred and, if the parties have not already filed a suit in the courts, the claims are not normally paid. Very often, this results in a position that even where on merits of the case, the claim is one for settlement, the Railway takes refuge under the technical plea that the case is, in any case, suite-barred, *i.e.*, parties cannot initiate proceedings in a civil suit and, therefore, the Railway can refuse to pay the claims even though, on merits, they are bound to pay the claims. The curious part of such cases is that the delay in the settlement of the claim is, very often due to the unconscionably long time taken in the claims office itself for processing the case. The Railway Board have issued instructions that the claims can be settled in cases where, even though they are time-barred, the party has been persisting in the pursuit of the claim. The General Managers may waive the time-limit with the concurrence of the FA&CAO. From the study of a few claims files pertaining to such cases, it is seen that, here again, a narrow view is taken as to what is meant by the party persisting in the pursuit of the claim. This attitude of the Railways is also resulting in a large number of cases being unnecessarily initiated in the courts, because parties feel that unless a suit is filed before the expiry of the time-limit, their cases will go by default before the Railways. It is, therefore, necessary that avoidable delays in settling claims should be curtailed and claims settled within reasonable time and if, in the processing of the case, there has been undue delay but where on merits the claim is one for payment, Railways should not deny claims merely on the technical plea of the case being time-barred. To our mind, the time limit fixed for initiation of cases is from the point of view of administrative convenience, *viz.*, that if a case is initiated too long after the transaction, the chances of proper enquiries being made be-

come remote in that the documents and the relevant facts pertaining to the booking, despatch and delivery of the consignments may not be available. Therefore, in a case where parties have preferred their initial claim within the 6 months' time-limit and the case has been opened and processed but if in the processing of the case unduly long time is taken and where, on merits, the Railway feels that the claim is one for payment, there is no reason why the claim should not be paid even if it becomes time-barred for suits. Such cases are bound to be only very few and far between and it will go a long way towards customer satisfaction, if such rules are not interpreted in too rigid a manner.

Excepted Articles

7.62 Under Section 77 B of the Indian Railways Act, in respect of articles mentioned in the Second Schedule to the Act, Railways do not accept any liability for loss, destruction, damage etc., of any parcel or package where the value of such articles in the parcel or package exceeds Rs. 500 unless the value and contents are declared in writing at the time of booking and a percentage charge is paid or engaged to be paid on the value so declared. These articles are of exceptionally high value and, therefore, special care has to be taken to see that there is no damage to these consignments. To enable Railways to take special care, the consignors should give notice to the Railway Administration that articles booked are of such high value. The percentage charge has been fixed in view of the cost involved in taking such special precautions.

7.63 It is obvious that any list of such articles cannot be exhaustive and consignments which are costly but which do not come within the list of articles mentioned in the Schedule are also offered for booking and in case of claims arising large amounts of claim are to be paid. We feel instead of specifying only a few commodities as excepted articles, it should be stipulated that all articles of exceptionally high value should be declared and brought specially to the notice of the Railway Administration. This can be done by proposing that the Railways' liability normally will be limited to certain monetary limits, say, a certain amount per kg. of the gross weight in respect of goods and similarly in the case of parcels and luggage. If Railways are to accept liability for any higher amount, the value should be declared and a suitable percentage charge paid. We understand that suitable provisions on these lines have been suggested in the proposals for the revised Railway Act.

7.64 Pending, however, new legislation on these lines, we recommend that the amount of Rs. 500 now mentioned in Section 77 B of the Railway Act should be raised to Rs. 1,000 in view of the inflation in the value of the commodities.

Owner's Risk Rates and Railway Risk Rates

7.65 From early days, there were two sets of rates on Indian Railways for a large number of commodities, one at Railway Risk and the other at Owner's Risk. The exact import of the terms Railway Risk and Owner's Risk depended upon the liability of Railways in regard to claims. Prior to 1-1-1962 the responsibility of Railway as a carrier was limited to that of a Bailee. The general liability of Railways was one of the items which had been referred to the Railway Freight Structure Enquiry Committee (1955—57), the relevant terms of reference being "To examine whether the statutory provisions dealing with the responsibility of the Railways as a carrier need any and, if so, what modification, and in the light of modifications proposed whether any adjustments in freight rates is warranted". The Freight Structure Enquiry Committee's recommendation was that Railways should generally assume the liability of a common carrier, the liability, of course, being limited in respect of consignments booked under Owner's Risk. In the amended Railway Act, which came into force in 1962, Section 73 defined the liability of Railways as follows :—

"73. Save as otherwise provided in this Act, a railway administration shall be responsible for the loss, destruction, damage, deterioration or non-delivery, in transit, of animals or goods delivered to the administration to be carried by railway, arising from any cause except the following, namely:—

- (a) act of God;
- (b) act of war;
- (c) act of public enemies;
- (d) arrest, restraint or seizure under legal process;
- (e) orders or restrictions imposed by the Central Government or a State Government or by any officer or authority subordinate to the Central Government or a State Government authorised in this behalf;
- (f) act or omission or negligence of the consignor or the consignee or the agent or servant of the consignor or the consignee;
- (g) natural deterioration or wastage in bulk or weight due to inherent defect, quality or vice of the goods;
- (h) latent defects;
- (i) fire, explosion or any unforeseen risk:

Provided that even where such loss, destruction, damage, deterioration or non-delivery is proved to have arisen from any one or more of the aforesaid causes, the railway administration shall not be relieved of its responsibility for the loss, destruction, damage, deterioration or non-delivery unless the administration further proves that it has used reasonable foresight and care in the carriage of the animals or goods."

7.66 In the case of Owner's Risk consignment, however, the liability is limited by Section 74 of the Act.

"74. (1) When any animals or goods are tendered to a railway administration for carriage by railway and the railway administration provides for the carriage of such animals or goods either at the ordinary tariff rate (in this Act referred to as the railway risk rate) or in the alternative at a special reduced rate in this Act referred to as the owner's risk rate), the animal or goods shall be deemed to have been tendered to be carried at owner's risk rate, unless the sender or his agent elects in writing to pay the railway risk rate.

(2) Where the sender or his agent elects in writing to pay the railway risk rate under sub-section (1), the railway administration shall issue a certificate to the consignor to that effect.

(3) When any animals or goods are deemed to have been tendered to be carried, or are carried, at the owner's risk rate, then, notwithstanding anything contained in section 73, the railway administration shall not be responsible for any loss, destruction, damage, deterioration or non-delivery, in transit, of such animals or goods from whatever cause arising, except upon proof that such loss, destruction, damage, deterioration or non-delivery was due to negligence or misconduct on the part of the railway administration or of any of its servants.

7.67 The liability of Railways in respect of Owner's Risk consignments is that the Railways are liable for loss, damage, destruction deterioration or damage only if negligence or misconduct on the part of the railway is proved. The legal position is that the onus of proofs of such loss, damage, deterioration etc. in certain circumstances is on the owner of the goods. It should be mentioned, however, that in the case of the loss of a package or pilferage from well packed consignments the very fact of the loss of pilferage leads to the presumption of negligence and the onus is on the Railway to show that there has been no negligence or misconduct on the part of

the Railway. However in case of damage, deterioration etc. of consignments like perishables, the owner will have to show that there has been negligence or misconduct on the part of the Railway before the Railway accepts the claim for loss, damage, etc. of such consignments.

7.68 While prior to 1958, there were about 300 commodities for which owner's risk and alternative Railway risk rates were being quoted, the Freight Structure Enquiry Committee recommended that normally all commodities should be carried at only Railway's risk and they had recommended quotation of Owner's Risk rate only for a few commodities. This recommendation was accepted and owner's risk rates were notified for the following commodities in the Goods Tariff brought into force from 1-10-1958:—

1. Asbestos, crude
2. Bentonite
3. Betel leaves
4. Bonedust
5. Bonemeal
6. Bones
7. Bone sinews
8. Chalk
9. Charcoal fuel
10. Clay, china
11. Coal
12. Curds
13. Eggs
14. Fireclay
15. Firewood
16. Fish, fresh
17. Fish Spawn
18. Fruits, fresh NOC
19. Game
20. Ice
21. Lorries, Steam
22. Meat, fresh
23. Milk
24. Motor vehicles, NOC
25. Onions
26. Plants
27. Potatoes
28. Potatoes, sweet
29. Tiles, common (roofing)
30. Vegetables, N.O.C.

7.69 Subsequent to 1958, "Bentonite" and "Chalk" were deleted from the above list and the following commodities were added to the

list of commodities for which "owner's risk" rate are quoted:—

1. Coal/Coke Briquettes
2. Coal dust
3. Coke, hard
4. Leather meal
5. Leco
6. Sinews meal
7. Tiles, flooring (Earthern)
8. Water melons.

7.70 The position obtaining at present, therefore, is that all commodities are booked at Railway Risk Rates with railways assuming the general responsibility under section 73 of the Indian Railways Act excepting the few commodities mentioned above. In respect of these commodities, the normal rate quoted by Railways is at owner's risk rate. An alternative railway risk rate is provided at 20% higher than the owner's risk rate, if parties specifically want to book them at railway risk.

7.71 It will be seen that owner's risk rates are at present being quoted only in respect of perishables and items like coal, tiles, sand, etc., which are carried mostly in open wagon excepting motor vehicles and lorries steam. Railways would find it difficult administratively to tackle the day-to-day problems which would arise if such consignments are generally booked at railway risk. It is the practice on Railways in other countries also to have owner's risk rates for such commodities. We have also not received any representations for any basic change in the present system. We do not, therefore, recommend any change in the practice of quoting normally owner's risk rates for the few commodities mentioned above excepting motor vehicles and lorries steam. We have accordingly prescribed rates for these commodities at owner's risk only for normal carriage. A railway risk rate of 20 per cent higher would be available if parties specifically want to book these consignments at railway risk rate.

7.72 Inclusion of motor vehicles and steam lorries in this group of commodities does not, however, appear to be logical. In view of this, we recommend that steam lorry and motor vehicles NOC should be deleted from the list of items for which owner's risk rates are quoted. This should be booked only at Railway Risk rate.

Payment of freights for goods and parcels

7.73 At present, for parcels traffic, compulsory pre-payment of freight is necessary for parcels booked for distances upto 500 kms. In addition, compulsory pre-payment is necessary for parcels booked for all distances for certain articles like

perishables. In regard to goods also there are certain commodities where it is compulsory to have pre-payment of freight.

7.74 We consider that even in respect of commodities for which there is no compulsory pre-payment condition, the normal tariff rates should apply only on the basis of freight being paid at the time of booking. If, however, consignors desire to have the consignments booked 'to pay', there should be a surcharge of 1% on the freight.

7.75 A number of Organisations are given the option to make the payment of freight by Cheques or Credit notes-cum-cheques. These negotiable instruments are collected by the station staff and transmitted to the Divisional Cash Office, alongwith the cash earnings, through travelling cash safes. Cheques and Credit notes-cum-cheques from all stations of the division are collected together and sent to the Reserve Bank/State Bank for clearing. The procedure of collection of credit notes-cum-cheques from all stations at the Divisional Cash Office, and the bank clearing, is fairly time consuming. An analysis made of the time taken before cheques/credit notes-cum-cheques are credited to railway account, shows that it takes anything upto four months before the credit is received. Only 19% of the cheques/credit notes get credited within 15 days. 41% take upto 45 days, 17% upto 60 days and as many as 10% upto 100 days almost 13% even more than 100 days. These figures indicate that there is an inherent delay in the procedure of collection of cheques and clearance, before credit is afforded.

7.76 Railway should take necessary measures to ensure that there is speedier clearance of cheques. Some of the measures suggested to us are that the cheques may be drawn on the local banks to which cash collections of the stations are remitted or on banks in the divisional headquarters to which cash collections are sent.

Payment for booking of newspapers and magazines

7.77 We recommend that pre-payment should be made compulsory for booking of newspapers and magazines. Instead, however, of making separate railway receipts for each parcel, coupons of necessary value for the requisite amount should be affixed on the parcels. The newspaper/magazine offices should buy their requirements in advance and affix the stamps before forwarding them to the railway parcel office. Since the size of the parcels booked to particular stations

do not vary from day-to-day, it should be convenient for the consignor, i.e., newspaper office, to affix the necessary coupon and for the railway booking clerks to check them. Along with the parcels duly affixed with the appropriate stamps, a manifest in duplicate will be prepared indicating the number of parcels, weight, and the value of stamps affixed. These could be checked by the Travelling Inspectors of Accounts on their periodical inspections. The receiving stations should also check whether the appropriate coupons have been affixed to the parcels received. This, in our opinion, would simplify the procedure with regard to booking and billing of newspaper parcels.

Out-agencies

7.78 In order to serve the interior points in the various regions of the country which do not have railway lines, Railways will have to organise the setting up of out-agencies in a better manner than will be able to give is at present being done. As out-agencies will be able to give facilities for traders to book through from the interior point through the nearest railhead to various destination stations throughout the country and similarly receive goods from any part of the country to the interior point, it is a great convenience. Parties will not have to go themselves long distances to the nearest rail head to book and receive consignments. Provision of out-agencies will, therefore, compensate, to a large extent, the want of a regular railway line and, in our view, Railways should go all-out to set up out-agencies wherever there is appreciable traffic that would warrant setting up of such out-agencies. We find that, in some cases, protracted negotiations are going on with regard to the terms and conditions of setting up of out-agencies and very often, the setting up of out-agencies is blocked by minor difference with regard to the terms. These will have to be viewed in the larger context of providing adequate transportation services in areas which do not at present have the benefit of railway lines and, as a policy measure, larger number of out-agencies to serve the various interior areas should be set up. The State Governments concerned through their Road Transport Corporations should come forward to run these out-agencies. We find that the Railway Board have issued instructions with regard to liberal setting up of out agencies vide their letter No. TCI/75/5/24 dated 3-2-1977 (Annexure 7.2) and these should be followed up.

STATEMENT—7.1

Statement showing the changes made in the rates for haulage of engines on private account

Period	Haulage charge for engines hauled on private account	Haulage charge for engines loaned to outside parties
1-5-71 to 30-4-73	Rs. 5.50 per engine per km. subject to a minimum of Rs. 1,000.	Rs. 5.50 per engine per km. subject to a minimum of Rs. 500.
1-5-73 to 31-7-74	Rs. 5.65 per engine per km. subject to a minimum of Rs. 1,000 per engine per trip.	Rs. 5.65 per engine per km. subject to a minimum of Rs. 500 per engine per trip.
1-8-74 to 31-3-75	Rs. 6.75 per engine per km. subject to a minimum of Rs. 1,000 per engine per trip.	Rs. 6.75 per engine per km. subject to a minimum of Rs. 500 per engine per trip.
From 1-4-75	Rs. 9.25 per engine per km. subject to a minimum of Rs. 1,000 per engine per trip.	Rs. 9.25 per engine per km. subject to a minimum of Rs. 500 per engine per trip.

STATEMENT—7.2

Statement showing the rates for the haulage of 4 BG wheeled wagon on private account by scheduled goods trains at the existing rates and at the proposed rates for certain representative distances

Distance (Kilometre)	Rates for a 4-wheeled BG wagon		
	Existing	Proposed	
		Excluding Terminal	Including Terminal
	Rs.	Rs.	Rs.
100	125	282	432
300	375	592	742
500	625	823	973
800	1,000	1,145	1,295
1000	1,250	1,342	1,492
1500	1,875	1,810	1,960
2000	2,500	2,228	2,378
2500	3,125	2,623	2,773
3000	3,750	3,004	3,154

STATEMENT—7.3

Cause-wise, commodity-wise analysis of claims paid by all Indian Railways for the year 1978-79 compared with the years 1976-77 & 1977-78.

(Amount in Lakhs)

Sl. No.	Commodity	Period	Loss/theft of complete packages/ consignments		Pilferage		Breakage		Leakage	
			No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1. Grains & Pulses (Govt.)		76-77	348	2.99	1,365	11.22	..	..	..	..
		77-78	270	1.24	1,472	9.66	..	..	..	..
		78-79	184	1.42	680	6.68	..	..	..	..
2. Grains & Pulses (Public)		76-77	2,089	26.65	18,135	157.59	20	0.10	3	0.01
		77-78	1,719	20.98	15,908	116.23	13	0.08	3	0.03
		78-79	1,827	16.45	14,342	80.05	1	0.01	..	..
3. Oil Seeds		76-77	537	9.04	4,290	49.09	..	..	2	0.02
		77-78	374	7.96	3,156	36.08	1	..	2	0.02
		78-79	378	6.05	2,920	32.64	2	0.01	4	0.03
4. Fresh Fruits & Vegetables		76-77	6,403	14.66	7,842	7.11	13	0.03	2	..
		77-78	9,201	26.47	8,044	11.64	7	0.02	2	0.05
		78-79	10,814	31.75	9,602	16.10	..	..	..	..
5. Other Perishables		76-77	8,202	15.46	6,800	9.92	118	0.10	2	0.02
		77-78	9,315	15.11	6,442	14.13	217	0.15	4	0.04
		78-79	12,587	22.17	7,832	16.72	216	0.12	5	0.03
6. Vegetable and edible oils		76-77	246	2.85	911	7.48	8	0.02	339	15.38
		77-78	198	4.05	1,324	12.77	16	0.14	1,160	15.41
		78-79	241	3.69	1,063	10.69	3	0.09	1,580	20.44
7. Tea		76-77	200	5.33	3,391	28.62	793	2.05	..	..
		77-78	219	4.88	2,447	25.67	466	1.38	1	0.02
		78-79	238	3.19	1,845	17.27	145	1.07	74	1.02
8. Spices		76-77	542	5.97	1,695	12.19	2	0.01	..	..
		77-78	520	5.78	1,596	9.75	1	0.01	1	0.01
		78-79	547	4.61	1,823	9.31	..	..	..	..

STATEMENT—7.3.—*contd.*

(Amount in Lakhs)

Sl. No.	Commodity	Period	Damage by wet		Delay in transit		Other causes		Total	
			No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1	Grains & Pulses (Govt.)	76-77	425	3.09	..	..	17	0.33	2,150	17.64
		77-78	585	2.85	..	..	34	0.47	2,361	14.22
		78-79	499	2.24	9	0.03	2	0.02	1,374	10.57
2	Grains & Pulses (public)	76-77	11,365	53.94	192	1.31	541	8.84	32,345	248.44
		77-78	14,885	76.67	38	1.38	447	10.05	33,103	225.43
		78-79	18,236	103.56	100	0.91	319	6.89	34,875	207.88
3	Oil Seeds . . .	76-77	1,828	11.34	28	0.38	215	2.64	6,900	72.51
		77-78	978	6.53	4	0.10	72	3.61	4,587	54.30
		78-79	1,213	11.66	4	0.27	12	1.15	4,533	51.81
4	Fresh Fruits & Vegetables	76-77	120	0.53	1,373	6.22	474	0.96	16,227	29.16
		77-78	222	1.78	2,445	15.08	419	1.45	20,340	56.49
		78-79	366	1.36	2,703	11.04	284	0.92	23,789	61.17
5	Other Perishables . . .	76-77	260	1.91	2,094	4.22	554	1.88	18,030	33.51
		77-78	348	2.69	3,938	8.04	439	1.85	20,703	42.01
		78-79	797	21.61	5,719	11.52	557	2.66	27,713	55.83
6	Vegetable and edible oils.	76-77	432	0.23	1	0.01	152	4.62	2,689	30.60
		77-78	28	0.37	2	0.01	38	0.73	2,766	33.48
		78-79	46	0.24	8	0.01	15	1.15	2,956	36.41
7	Tea	76-77	1,308	11.32	48	0.55	52	0.56	5,792	48.43
		77-78	1,024	10.80	3	0.01	20	0.21	4,180	42.97
		78-79	752	8.14	3	0.03	10	0.08	3,067	30.80
8	Spices	76-77	1,332	8.75	8	0.11	90	1.91	3,606	26.61
		77-78	1,439	10.47	8	0.11	41	0.48	3,606	26.61
		78-79	1,313	9.05	31	0.15	9	0.11	3,723	23.23

STATEMENT—7.3.—*contd.*

(Amount in Lakhs)

Sl. No.	Commodity	Period	Loss/Theft of complete packages/consignments		Pilferage		Breakage		Leakage	
			No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
9	Coal & Coke (Public)	76-77	3,110	117.36	983	19.51	..	..	..	..
		77-78	2,795	102.19	1,412	29.58	..	..	3	0.14
		78-79	1,993	77.24	1,691	33.36	..	..	..	..
10	Sugar	76-77	513	11.30	5,689	63.17	5	0.07	..	..
		77-78	342	10.63	5,083	48.13	1	0.01	..	..
		78-79	287	7.25	2,995	29.08	..	..	..	..
11	Piece goods	76-77	1,891	32.79	3,254	19.53	7	0.03	..	..
		77-78	1,531	33.44	2,893	20.41	4	0.01	3	0.01
		78-79	1,353	25.07	2,415	13.75	1	0.02	..	..
12	Iron & Steel (Steel Plants)	76-77	388	28.80	254	10.16	2	0.01	..	..
		77-78	355	33.51	205	8.95	3	0.01	..	..
		78-79	238	18.38	242	12.17	4	0.13	..	..
13	Iron & Steel (Other points)	76-77	751	21.70	989	15.43	45	0.40	..	..
		77-78	702	31.60	1,009	24.57	41	0.35	1	0.01
		78-79	516	19.28	783	15.53	28	0.31	..	..
14	P. O. L.	76-77	102	10.73	378	6.40	10	0.13	1,470	22.80
		77-78	112	11.34	468	19.35	6	0.11	1,393	26.33
		78-79	69	8.34	231	4.85	2	0.03	733	16.77
15	Cement	76-77	1,214	4.23	654	1.79	36	0.33	..	..
		77-78	1,104	4.41	737	2.24	37	0.15	..	..
		78-79	1,006	4.06	714	1.85	274	0.76	3	0.01
16	Chemical Manures	76-77	1,516	9.65	2,278	11.86	5	0.01	..	..
		77-78	2,073	16.10	2,610	13.08	1	..	3	0.02
		78-79	1,613	13.19	2,674	16.52	1	..	8	0.02

STATEMENT—7.3—concl'd.

(Amount in Lakhs)

Sl. No.	Commodity	Period	Damage by wet		Delay in transit		Other causes		Total	
			No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
9	Coal & Coke (Public)	76-77	3	0.02	29	1.12	932	32.29	5,057	170.30
		77-78	1	..	19	1.44	832	31.99	5,062	165.34
		78-79	2	0.02	14	0.38	598	19.24	4,298	130.23
10	Sugar	76-77	891	4.51	10	0.09	154	2.70	7,262	81.84
		77-78	838	4.93	8	0.10	137	3.92	6,409	67.72
		78-79	796	4.54	1	0.03	193	2.50	4,272	43.40
11	Piece goods	76-77	1,227	6.86	14	0.13	286	2.60	6,681	62.03
		77-78	798	6.32	9	0.14	291	4.75	5,528	65.08
		78-79	620	4.65	14	0.07	294	3.98	4,697	47.54
12	Iron & Steel (Steel Plants)	76-77	4	0.46	1	0.02	17	3.03	666	42.48
		77-78	6	0.22	3	0.62	15	4.04	587	47.35
		78-79	5	0.17	2	0.35	10	3.62	501	34.82
13	Iron & Steel (other points)	76-77	27	0.38	1	0.04	115	4.15	1,928	42.28
		77-78	27	1.03	5	1.83	59	4.97	1,844	64.36
		78-79	23	0.70	4	0.29	40	5.99	1,394	42.10
14	P.O.L.	76-77	3	0.05	2	0.25	77	12.25	2,042	52.61
		77-78	4	0.05	3	0.13	65	3.99	1,951	61.30
		78-79	8	0.11	3	0.02	34	7.27	1,080	37.39
15	Cement	76-77	6,571	21.70	7	0.15	103	1.25	8,585	29.45
		77-78	8,461	22.69	13	0.25	116	1.49	10,468	31.23
		78-79	7,048	21.04	5	0.03	124	1.42	9,174	29.17
16	Chemical Manures	76-77	281	2.03	11	0.49	68	0.82	4,159	24.86
		77-78	581	3.55	15	1.07	22	0.90	5,305	34.72
		78-79	782	4.06	10	0.67	31	0.92	5,119	35.38

CHAPTER VIII

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Operational efficiency

8.01 Keeping in mind the limitations relating to the time and resources available to the Committee, we thought it appropriate only to draw the attention of the Government to important aspects of the problem, indicate certain possible approaches and leave it to Government to decide on the exact course of action. (Para 1.03).

8.02 For tackling the problems that Railways have to face as a result of conditions prevailing in the country, the fact that the Railways can do very little to improve the over-all situation has to be realistically faced. (Para 1.05).

8.03 Taking into consideration the deteriorating law and order situation in many parts of the country, expansion of the RPF and improvements in the facilities available to them as well as increase in the subsidy to the State Government for improving the services of the State Government Railway Police will be a small cost to pay if it results in improvement in the situation. (Para 1.06).

8.04 Taking into consideration the need for supply of essential commodities like foodgrains, salt, sugar and cement to the North-Eastern States, it may be necessary to sanction special extra funds for speedy gauge conversion works in the area. (Para 1.08).

8.05 The whole question of transshipment needs to be given a fresh look. Appropriate facilities should be created at the transshipment points, more authority and discretion should be given to the local authorities in organising labour and if necessary the work should be continued at night hours also by additional payment. (Para 1.15).

8.06 New methods and systems for transshipment should be attempted so as to study in a System Analysis the design of wagons, the manner in which transshipment should be organised and the equipment that should be used. (Para 1.15).

8.07 Though the container traffic on the Indian Railways is now very small, in the year to come, to cater to a special kind of traffic container services will have to be augmented. More attention should be paid to the development of different types of wagons suited to various types of traffic. To overcome the difficulty about the shortage of investment resources the major users of such

wagons should be encouraged to own such wagons. (Para 1.20).

8.08 Improvement in the working of marshalling yards has an important role in achieving better wagon utilisation. (Para 1.21).

8.09 Improvements in lay-out of marshalling yards, better tele-communication facilities, better facilities for movement of staff in the marshalling yards and provision of *pucca* jeepable road all-round the yards should be attempted. (Para 1.22).

8.10 As railways are best suited to carry bulk traffic and traffic over long distances, measures to maximise movement of traffic in bulkloads, point to point train loads and unit train loads may be necessary. A beginning can be made on the basis of the studies undertaken by the RITES in respect of pairs of points between which such trains on a regular basis can be introduced. (Para 1.25 & 1.33).

Research and Development

8.11 For an undertaking of the size and importance of Indian Railways, Research and Development work has got to be organised as a major activity. (Para 1.38).

8.12 India has the potentiality of becoming a major producer and exporter of Railway equipment on account of the substantial base market in the country. For this purpose the approach to research and development as well as to the development and organisation of production units on the Railways will have to undergo major changes. (Para 1.40).

8.13 It is necessary to ensure that potentially research minded technical officers should not only be carefully selected and brought to the R.D.S.O. but there should be adequate incentives for them to stay on in the R & D work. Every opportunity of permitting the concerned Railway officials to visit producing organisations abroad should be used. (Para 1.41).

Use of Computers

8.14 It is necessary for all authorities concerned-Railways own management, the Planning Commission, etc., to give far higher priority and inject much greater urgency in the introduction of a new computer system especially for wagon control. (Para 1.46).

Traffic Costing

8.15 To make the cost analysis on the Indian Railways more meaningful for utilisation in management control, planning and decision making, it is necessary to carry out cost analysis in a far more dis-aggregated manner. To do this it would be necessary to suitably augment the traffic costing organisation in the Railways. (Para 1.52).

8.16 It is necessary to have more expertise in cost accounting techniques as well as statistical techniques for evolving appropriate standard costs. It may be useful to provide both incentives and facilities for training in cost accountancy for the Railway Accounts Service Officers and it may also be necessary in the earlier stages to induct some expertise from outside. (Para 1.57).

Economics and Management

8.17 It is essential that the Railway organisation should have at its disposal a well organised unit for economic analysis and advice. This would involve not only strengthening the economic unit of the Railway Board and the creation of small economic cells in the Zonal Railways and in the production units, but also the regular association of the economic unit in important aspects of policy analysis. (Para 1.59).

8.18 It may be mutually beneficial to build up close association between the University Departments and the Railways. Similarly, the Institutes of Management and the Indian Institutes of Technology as well as other expert organisations should be more closely associated with the Railways. (Para 1.60).

Inadequate Attention to Railway Users

8.19 The shortages, the semi-monopoly conditions and the bureaucratisation many times, lead to a situation where the Railway official does not show enough consciousness regarding his obligations to the public. (Para 1.61).

Passenger and Employee Amenities

8.20 A method has to be found to remove the bottleneck in the availability of funds for creating facilities for passenger and employee amenities. (Para 1.62).

8.21 One way of generating additional resources for meeting this problem would be to provide an incentive to the local management to increase earnings from sources which are basically local in character. (Para 1.63).

8.22 It is high time that early attention be given to improve the basic facilities at the goods sheds. (Para 1.69).

8.23 Another method of dealing with this question would be to treat such expenditure as

essential cost of providing Railway services and provide this as a regular charge on Revenue irrespective of the financial surplus position of the Railways. (Para 1.73).

8.24 There is no reason why investment funds required for exploiting potential revenue earning assets of a local character cannot be raised on a commercial basis. Appropriate legal and administrative procedures including delegation of power will have to be worked out for this purpose. (Para 1.75).

Unreserved Accommodation

8.25 It may be necessary to provide at least one unreserved second class coach on almost every train which will ensure that passengers who badly need to travel and have not been able to secure reserved accommodation are able to travel even though they may have to travel in discomfort. (Para 1.76).

Reducing Demand for Passenger Services

8.26 It has to be remembered that Railway services being one of the capital intensive services a disproportionate share of national investment will be required to satisfy the full demand for passenger services adequately. To discourage additional demand for rail travel, fares without subsidy should be charged; it may also be worthwhile to provide an option in the form of cash benefit in lieu of leave travel concession offered to the employees by Government and other organisations and even for railway employees in lieu of privilege passes etc. (Para 1.77 & 1.78).

Social Burdens on Indian Railways

8.27 The Rail Tariff Enquiry Committee have taken note of the report of the Committee on Social Burdens. R.T.E.C. suggests that the basic approach suggested by the majority members of the Committee on Social Burdens, endorsed by the National Transport Policy Committee and which is in line with our overall recommendations, should be accepted by the Government. (Para 1.87).

Uneconomic Branch Lines

8.28 On the basis of special passenger surveys conducted on Darjeeling, New Jalpaiguri and Nilgiri Railways Sections, the R.T.E.C. is of the view that the tourist traffic on these railway is not large enough to warrant heavy costs to the Railways in running these Sections (Para 1.101)

8.29 It is futile to expect that the Railways would be able to close down all such lines either on their own or with the concurrence of the State Government, or secure any further financial relief from the General Exchequer. It

is also felt that the net savings from the closure of such lines would be much smaller than the accounting losses calculated. It would be appropriate if a detailed examination is made of each of the large loss-making branch lines by Expert Groups consisting of the representatives from the Railways and the State Governments concerned. (Para 1.103).

8.30 Where the real operating losses from running specific lines are substantial and where alternative means of transport are or can be made available, thought should be given both by the Central and the State Governments to the possible closure of such lines. If the Central Government is not able to persuade the State Government to agree to the closure, the losses should be borne by the Central Exchequer and such amounts should be considered as a part of the Central assistance to the States concerned with all its implications. (Para 1.104).

8.31 The Railways may consider in their own interest to provide an incentive in the form of grants, say, equal to ten times the real annual loss to the authorities concerned for providing additional transport facilities or for any other kind of development in the areas likely to be affected by closure of unremunerative lines. (Para 1.107).

8.32 In respect of lines which, for whatever reasons, cannot be closed down, alternatives suggested by various committees to improve the services should be implemented after these are examined by the Teams of Experts suggested by us so as possible to reduce the losses. (Para 1.108).

8.33 The committee is of the opinion that the total burden on the Railway finances of the losses on a large number of minor loss-making lines is too small for much time and energy to be wasted on the question regarding their closure. (Para 1.109).

New Lines

8.34 In respect of new lines constructed after taking into account social cost and benefits, normally it may be much better that the Railways charge tariffs on such new lines equal to those charged on the Railway net work as a whole and not inflated tariffs, and the Central Government provide a developmental subsidy for a fixed period of time to make up the difference between the revenue earned by the Railways and the social benefits calculated as accruing to the economy as a whole. (Para 1.113).

The Necessity for Business Like Approach

8.35 In a poor country like ours it is not possible to treat the Railways as a public organisation to be largely sustained like educational or

health facilities mainly on the basis of resources obtained through the tax method. (Para 1.118).

8.36 There is a need to have a full-fledged member (Commercial) in the Railway Board to attend to the essentially commercial aspects of the Railway working. (Para 1.119).

8.37. The Railways should be treated more firmly and emphatically than they have been in the past as a commercial undertaking, even though it is a public utility organisation owned by the Government. (Para 1.120).

Regulation of Tariffs and Services

8.38 There is no body which is authorised regularly and in an obligatory manner to look at the rate structure of the Indian Railways and to suggest or enforce changes therein. (Para 1.126).

8.39 While there is no doubt that the coverage of the Railway users consultative committees is very wide, it is doubtful whether these committees are very effective in ensuring that the Railway users' interests are adequately guarded. (Para 1.128).

8.40 Members of Parliament can take note of the grievances but the main difficulty is the very limited time that Parliament can spare for this purpose. The major handicap faced by Parliamentary committees in this respect is that they have no independent expert advice available to them. (Para 1.129).

8.41 Taking into consideration the experience of regulation over railway tariffs and services in other countries and the situation in India, the committee is of the view that some regular machinery to look at the rates charged and services provided by the Railways for different streams of traffic needs to be set up. (Para 1.139).

8.42 The matter is so important that it requires a full scale examination of alternative methods of tackling it. Therefore the Committee has only thought it fit to draw attention to the problem and mention some of the alternatives. One way would be to entrust the task of regulation to the Railway Rates Tribunal after properly equipping it in terms of members and staff to deal with such matters. (Para 1.143).

8.43 Alternatively a separate body specially constituted for looking at the prices of transport services or public utility services may be constituted. (Para 1.144).

8.44 A third alternative would be to entrust this work to the Monopolies and Restrictive Trade Practices Commission after making appropriate legal and procedural changes required for this purpose. (Para 1.145).

8.45 The results of the scrutiny by such a regulatory body, if not made binding, should be available to the public and the Parliament so that it would not be difficult for railway rates to be continually based on a proper justification in terms of the overall objectives of rating policy. (Para 1.146).

8.46 The Committee however would like to emphasise that such a regulatory body should resort to an expert examination of the matters rather than a judicial one. Secondly, the body to be set up should be enabled to discharge its work expeditiously. (Para 1.147).

Organisation and Management

8.47 It may not be wrong to say that railway operation is sometimes considered as an end in itself irrespective of what result it has on the financial side. Commercial and marketing considerations receive inadequate attention and posts such of those of marketing officers are considered to be of secondary importance. (Para 1.148).

8.48 It may be necessary to think of a more rationalised Zonal and Divisional structure as also a proper organisational structure for the production units. (Para 1.150).

8.49 A specialised branch or organisation with its own specialised cadre might be able to do better justice to activities like the running of railway hotels and catering organisation which are connected with the railway operations but need a different approach. (Para 1.151).

8.50 If, as is reported in newspapers, undertakings such as those in the Steel Industries, are permitted to set up their own captive power plants, it may well be appropriate for the Railways to do so. In that case a special unit to look after these may be necessary. (Para 1.152).

8.51 Officers at the top hierarchy like General Managers and Members of the Railway Board should be enabled to concentrate more on policy matters and long term issues instead of getting embroiled in details of day-to-day working. (Para 1.153).

8.52 It is considered necessary that increasing care is taken to recruit and train inadequate numbers proper talent for carrying out the personnel function upto the highest levels. (Para 1.155).

8.53 The Committee is of the view that however talented they may be the individual officers cannot give their best when they hold charge of key positions in the Railways for very short periods of time. (Para 1.158).

8.54 The Railways having one of the largest officers cadres as compared to other commercial and industrial establishments in the country can really afford to have a full scale higher management development institution of its own. (Para 1.160).

8.55 Such an institute will also help in the efforts recently undertaken to export railway equipment as well as technical and managerial expertise abroad. (Para 1.161).

8.56 It cannot be said that adequate attention has been paid in the Indian Railways for ensuring personnel development. (Para 1.162).

8.57 The existing system of lateral recruitment in the intermediate categories on the Indian Railways as in the case of Traffic Apprentices, Permanent way Inspectors etc. may have to be extended to other fields for manning important posts in the various supervisory grades. (Para 1.163).

8.58 The Committee thinks that it may be useful to have the question regarding the management of the Railways looked at by a high level. (Para 1.165).

8.59 We recommend that Divisional Stores Organisation should be set up as early as possible. (Para 1.172).

8.60 While the Committee have deliberately refrained from dealing with matters relating to welfare measures for employees as various other bodies have dealt with this matter, it is felt that a strong case exists for provision of adequate number of Central schools at least in areas where there is much concentration of Railway staff as well as for provision of adequate number of subsidised hostels. (Para 1.173).

8.61 The Committee recommends that in respect of staff promoted to higher posts it is necessary to impose a condition that they should serve on those posts at least for a period of 2-3 years before they are considered again for promotion. (Para 1.174).

8.62 The Committee has noted that the deterioration in the labour situation is affecting the operation of the Railways. This problem is too vast in its complexity and implications for a committee like ours to attempt to tackle. The Committee hope that the Government will, take steps to build up better relations with its labour and especially railway labour. (Para 1.177).

8.63 36% (Rs. 11 crores) of the post office expenditure on conveyance of mails is incurred on carriage of mails by rail. 98.5% of this amount is paid for haulage of reserved accommodation, and the balance for mail bags carried under the weighment system. (Paras 2.01 & 2.03).

8.64 For carriage of mail by rail, the post office is charged on the basis of the actual costs incurred in rendering the service. However, the existing method does not achieve the objective fully, and the procedure of adjustment of the charges causes distortions. (Paras 2.06 to 2.11).

8.65 The rates for carriage of mail by Indian Airlines are so designed as to be roughly equal to the Airlines public tariff rate for cargo. For carriage of mails by State Road Transport Corporations, the Post office pays one passenger fare per bag. (Paras 2.12 & 2.13).

8.66 Fixation of rail rates for conveyance of mail on the formula used for determining the rates for carriage of mail by air will be more remunerative to the Railways than rates based on the existing system. (Para 2.14).

8.67 Transactions between the Railways and the post office, both of which are commercial undertakings, should be conducted on business principles. Each Department should be entitled to, and should, charge the other Department the fair market rate for the services rendered to it. This principle already underlies the rate structure for mail traffic carried by air and by road. (Para 2.15).

8.68 Post office mail traffic is of the nature of 'other coaching' traffic and should be charged for at the General Parcel rate on the same basis as other categories of 'other coaching' traffic. (Para 2.16 to 2.18).

8.69 While post office mail should be charged for at the General Parcel rate, the rate should include a rebate for services rendered to the public which are not availed of by the post office. The existing rebates allowed in this connection may be allowed to stand. There is, however, no justification for any other rebate being granted. (Paras 2.19 & 2.23).

8.70 In the light of the foregoing, and in the interests of simplification, the rates for post office traffic carried by the Railways should be determined on the basis of the formula given herein. (Para 2.24).

8.71 We recommend that Military Tariffs should be based on dependent costs which works out to about 20 per cent less than fully distributed costs. (Para 3.09).

8.72 Goods Traffic in wagon-loads may be charged at Public Tariff rate 100th class at a wagon-rate for a pay-load of 19 tonnes less 20%, as an omnibus charge for all commodities, except those already being charged at Public Tariff rates. (Para 3.13).

8.73 Small traffic may be charged at Class-125 less 20%. (Para 3.15).

8.74 Military passengers travelling in Passenger coaches may be charged at a Passenger Bogie Rate worked out on the basis of II class Mail/Express fares for 72 persons being the weighted average capacity for BG and MG., plus 25% to cover the element of sleeper charge. A concession of 20% over this rate may be given. This rate will be applicable for II class or I class coaches BG, or MG or NG. (Para 3.17).

8.75 Baggage rates may be charged at the telescopic public tariff rates a General Parcel Scale less 20%. (Para 3.21).

8.76 Military Stores/Baggage carried in coaching vehicles may be charged at Vehicle rate worked out on the basis of Baggage rate at General Parcel Scale rate for a pay load of 6 tonnes less 20%. (Para 3.23).

8.77 Siding charges may be levied on discontinuous kilometrage basis on the actual length of rate the siding at a wagon-rate worked out on the basis of 100th Class excluding terminal charge for a pay-load 19 tonnes less 20%. This rate will apply to a loaded four-wheeled vehicle or wagon, for all commodities, in addition to freight charges. (Para 3.24).

8.78 For travel in I class on duty, the existing concession may be reduced from 40% to 20%. (Para 3.36).

8.79 In respect of II class journeys, all existing concessions should continue. (Para 3.28).

8.80 A separate Military Warrant for ACC I class travel may be prescribed. (Para 3.29).

8.81 A separate Military Warrant for Luggage may be prescribed. (Para 3.30).

8.82 The minimum number of vehicles or wagons to be paid for may be increased from 20 to 40 vehicle or wagons. Coaching stock may be charged at coaching rates as per Rule-201(4) of Military Tariff. Goods stock may be charged at Goods rates as per rule-301. A minimum distance for charge at 50 kms. may be laid down instead of minimum charge per train. (Para 3.31).

8.83 Wagon Registration fee may be levied for placing indents for Military traffic and forfeited when the stock is not utilised. (Para 3.32).

8.84 Detention charges may be levied for Military Special personnel trains detained for more than 30 minutes at originating, terminating station or stations enroute owing to the requirements of Military authorities. (Para 3.33).

8.85 The facility of authorising a passenger, who has lost his ticket, to travel on payment of 25% of fare of the lost ticket, may be extended to Military personnel also. (Para 3.34).

8.86 For saloons provided by the Railways sometimes for the use of Defence Officers, the special charges for the haulage of carriages given in Appendix II/I of Military tariff may be levied. (Para 3.35).

8.87 With the introduction of Public tariff rate basis for charging Military Special trains, there would be no justification for levying passenger fare Tax of 1957 on Military traffic. (Para 3.38).

8.88 With the introduction of Public tariff rate basis for charging Military Special trains it is not necessary to levy separate accident compensation charges for special trains. (Para 3.40).

8.89 The block distances for charge and also calculated rates for distances from 1 to 5000 kms. mentioned in Rule-125 of Military Tariff may be revised in accordance with the Blocks recommended for Public tariff rates, in our Main Report. (Para 3.41).

8.90 Miscellaneous items of Military traffic such as cycles, dogs, live-stock carried in excess of carrying capacity, haulage charges for saloons, etc., may be charged at public traffic rates less 20%. (Para 3.43).

8.91 A review of Military tariff rates should be made whenever there is an increase in Public tariff rates and rates may be revised as per principles laid down in our proposals. (Para 3.45).

8.92 The percentage of concession may also be reviewed once in five years to ensure that Military traffic rates cover the dependent costs. (Para 3.45).

8.93 A thorough revision of Military tariff No. 5, should be got done by the Railway Board in consultation with representatives of Ministry of Defence, Army Headquarters, some Railways and IRCA, to stream-line, simplify and rationalise the rules keeping in view the existing Railway rules for the public, changed conditions and practices and avoidance of hardship to the Army personnel travelling on duty or on leave. (Para 3.48).

8.94 We recommend that the one end terminal charge to be collected from the Public under the Freight Structure recommended by us in the Main Report should be credited to the Port Railways as the terminal services at the Port-end are being performed by the Port Trust Railways. (Para 4.12).

8.95 We are of the view that the placement of wagon in sidings should be considered as part of the scheme of total transportation from the booking station to the destination and that, therefore, it is not necessary to segregate in meticulous detail the costs involved in the placement of wagons in each siding and then try to recover

the costs by way of the siding charges. We accordingly recommend that siding charges may be reckoned in the same way as freight charges for the additional distance involved from the serving station to the factory premises. In view, however, of the general telescopic pattern of the freight rate and in order to ensure that adequate additional charges are collected in such cases, we recommend that the additional freight charges for placements in the siding should be reckoned on a discontinuous kilometrage basis. (Para 5.10).

8.96 In the case of colliery sidings, however, the charges over the siding need not be levied separately and the total distance for charges should include also the distance of the siding. (Para 5.12).

8.97 We recommend that placement of wagons near the plots leased to parties should be treated as part of railways transportation arrangements and that no separate charge, apart from the freight for the appropriate distance, should be levied for such placements. (Para 5.18).

8.98 We recommend that Railways should determine, by trails or time studies jointly conducted with industries, the number of wagons per-working hour that can reasonably be loaded/unloaded under actual conditions obtaining in the factory and that free time to be allowed should be co-related to these time-studies and then norms fixed for the number of wagons to be loaded/unloaded during the interval between the normal runs of the pilots. (Para 5.21).

8.99 We recommend that the Railway may, after taking into account social cost benefits, examine the question of reintroduction of the system of supplying wagons to small sidings also in the colliery area. (Para 5.26).

8.100 Where parties make heavy investments like, provision of mechanical handling of wagons, etc., which would enable the wagons being dealt with more quickly, we recommend that the question of granting suitable rebate per wagon can be considered so as to act as an incentive for provision of such facilities. (Para 5.28).

8.101 In regard to big industries like, Steel Plants, where very large number of wagons are being dealt with, we suggest that instead of checking individual delays to wagons, a system of interchange of wagons could be thought of. (Para 5.29).

8.102 We recommend that instead of charging maintenance charges at 4½ per cent of the capital value of the sidings, the per kilometre average cost of maintenance of a branch line of the railway system be taken as the basis for recovering maintenance charges from the siding owners. (Para 5.30).

8.103 Transportation, coupled with handling, exposes goods to a variety of hazards—risks. The goods to be carried by the Railways should be so packed as to afford a suitable protection against these. (Para 6.02).

8.104 About 45% (95 million tonnes) of the goods carried by Railways per year need packing. Over 3/4th of this quantity is packed in jute bags. (Paras 6.03 & 6.08).

8.105 "Smalls", and goods requiring transshipment *en route*, are exposed to greater hazards—risks than other goods. Therefore, packing conditions for "smalls" traffic should be more stringent than those for wagon loads and packing conditions for goods involving transshipment *en route* should be more strict than those booked through to destination. (Para 6.09).

8.106 Each packing condition should indicate the relevant I.S.I. specification. (Para 6.10).

8.107 A container must be inexpensive and cost no more than is absolutely necessary to do its job. (Para 6.12).

8.108 Packing conditions must be so worded that the Station staff are able to determine without difficulty, and in the limited time available for the purpose, whether the goods have been packed in the manner laid down. (Para 6.13).

8.109 The Railways should allow greater use of solid and corrugated fibre-board containers for wagon loads, "smalls" and parcels traffic. (Para 6.20).

8.110 Goods should be handled with greater care and atleast simple mechanical devices should be used for the purpose. (Para 6.21).

8.111 At present a large proportion of Railway receipts bear the remark "packing conditions not complied with". The need for this remark will not arise if the container used is (i) new and (ii) bears remarks of quality or approval as evidence of compliance with the prescribed specifications. (Paras 6.23 to 6.25).

8.112 The revised packing conditions should be formulated by users and got approved by them from an expert institution such as Indian Institute of Packaging or Indian Standards Institution. The Railways should normally accept these after field trials in actual conditions of transport. At the same time, the Railways should themselves revise the packing conditions in consultation with expert institutions for products which are getting damaged or which damage wagons. (Paras 6.28, 6.29 & 6.31).

8.113 Railways should also revise packing conditions wherever possible in the light of the results of research in improved packing being conducted by certain industry research institutions. Specifically, in the case of cement, the Railways should pursue the question of prescribing the use of only new bags preferably of the improved designs being developed, and encourage movement of cement in bulk. (Para 6.32).

8.114 The Railways should allow a suitable rebate in freight charges on goods packed in accordance with the revised packing conditions in new containers bearing a mark of quality or approval denoting compliance with the prescribed specifications. (Paras 6.30, 6.31 & 6.32).

8.115 Changes in packing conditions for certain commodities suggested by consignors which have been agreed to by individual Railways concerned may be tried out as an experimental measure pending action in terms of Recommendation No. 8.112 above. (Paras 6.33 & 6.34).

8.116 The special packing condition No. S/27 which is compulsory at present may be made optional. (Paras 6.35 & 6.36).

8.117 Individual Railways should be given power to modify packing conditions where considered justified experimentally for one year, for (i) local traffic and (ii) inter-railway traffic not involving transshipment where the other Railways concerned also agree to the proposed change. (Para 6.37).

8.118 The packing conditions for export cargo should conform to the specification laid down in the relevant statutory orders issued by the administrative ministries concerned. In regard to imported cargo, the existing rule on the subject is considered to be reasonable and no change is required. (Para 6.38).

8.119 As suggested by the Estimates Committee, the Railways should hold exhibitions at important places to educate trade and industry as to how goods can be economically packed and damage in transit avoided. (Para 6.39).

8.120 We find that the elements taken into account in working out the costs for arriving at the crane charges are reasonable. We, however, recommend that the crane charges in force from 1976-77, be escalated by 30 per cent. We also recommended that the crane charges should be escalated in tune with costs from time to time as in the case of freight charges. (Paras 7.02 & 7.03).

8.121 We do not recommend any change in the existing crane haulage charge. (Para 7.04).

8.122 We recommend a uniform haulage charge of Re. 1 per kilometre per 4-wheeled wagon for all gauges for haulage of guard or dummy or trailer attached to crane. (Para 7.05).

8.123 We recommend that the Railways should plan for more cranes including road cranes. We also recommend that Railways should encourage private road cranes operating at stations where heavy lift consignments are dealt with. (Para 7.06).

8.124 We feel that the demurrage rules should be framed realistically so as to encourage more and more bookings in train loads/rafts of wagons. (Para 7.08).

8.125 We recommend that time-studies should be carried out jointly by representatives of the Railway and its users with a view to determining realistic time required for loading/unloading of full train loads/rafts of wagons. We also feel that free time will have to be determined in respect of different commodities instead of having a uniform free time for all commodities. It would also be worthwhile considering a lower rate of demurrage for exceeding the free time only marginally and having a system of demurrage charge which increases with hours of detention. (Para 7.09).

8.126 We recommend that the Railway Board may give discretion to the local railway administrations for exempting stations from general instructions regarding wharfage free time, *etc.*, taking into account the local conditions obtaining at these stations. (Para 7.10).

8.127 We recommend the following charges for the haulage of engine on private account

- (i) For private engine hauled attached to scheduled goods trains—Rs. 5 per engine per km.
- (ii) For private engine hauled separately or worked by its own power—Rs. 15 per engine per km. (Para 7.15).

8.128 We recommend that for the haulage of empty wagons on their own wheels on private account by scheduled goods trains, charges be levied at class 200 for a weight of 60 quintals in the case of BG wagons, 45 quintals in the case of MG wagon and 35 quintals in the case of NG wagon. (Para 7.18).

8.129 We recommend that when empty wagons on private account are hauled as special train, charges be levied at class 200 for 60 four-wheeled wagons at 60 quintals each in the case of BG, 40 four-wheeled wagons at 45 quintals each in the case of MG and 30 four-wheeled wagons at 35 quintals each in the case of NG. (Para 7.19).

8.130 We agree with the basis adopted for calculating charges for transport of consignments by special train and recommend a rate of Rs. 155 per train kilometre subject to a minimum of Rs. 7,750 on the BG and Rs. 125 per train kilometre subject to a minimum of Rs. 6,250 on the MG. (Paras 7.26 and 7.28).

8.131 We recommend that traffic booked from one siding to another siding in the same station area be charged at the proposed class 100 rate for a minimum distance of 50 kms. on the average loadability of 20 tonnes for BG and 14 tonnes for MG four-wheeled wagons. (Para 7.31).

8.132 For weigh-bridges provided by private parties, we recommend a rebate of 18 paise per tonne of traffic loaded and weighed at the weigh-bridge subject to a maximum of 13% of capital cost plus the cost of staff provided to operate the weigh-bridges. It is also recommended that this rebate should be applicable for all commodities and for all types of weight-bridges. (Para 7.40).

8.133 We find that the methodology at present followed for determining the quantum of rebate to be allowed for traffic transported in wagons owned by private parties is reasonable. (Para 7.44)

8.134 We recommend that general conditions of wagons require to be improved in order to prevent pilferage, damage, *etc.* (Para 7.48).

8.135 The recommendations of the Enquiry Committees regarding claims and security should be implemented. We also feel that greater co-ordination is required between the RPF and the GRP and between the State Governments and the Railway Authorities in regard to security arrangements. (Para 7.49)

8.136 We suggest provision of watch towers with flood lights in important yards. We also suggest that when remodelling major yards, there should be provisions for jeepable roads and pathways on which scooters, cycles, *etc.*, can be used for patrolling. We also recommend provision of better tele-communication facilities between different points of the yards to ensure better security. (Para 7.50)

8.137 We recommend that the procedure for registration of claims, the method of keeping the claims files and processing of cases be modernised and streamlined. We also recommend prescription of standard forms for preferring claims in which all the necessary data required to be given by the party should be indicated. (Para 7.51)

8.138 The Railways can also think of having special arrangements in the claims offices for dealing with the claims and representations from regular customers. (Para 7.52)

8.139 We suggest having a claims office in Divisional offices also for dealing with all claims local to the Divisions and other local claims upto certain limits. (Para 7.53).

8.140 We suggest that regular refresher courses for officers dealing with claims be conducted, where apart from the legal liability of Railways in regard to claims, subjects could include public relations, business-like practices and customers good-will and satisfaction. (Para 7.54)

8.141 We suggest that, while claims prevention measures require to be pursued with vigour, where damage or loss has already occurred, Railway should show more readiness to accept responsibility wherever due and make payments gracefully. (Para 7.55)

8.142 We recommend that by proper working arrangements between Railways and their important customers, the practice of issuing 'said to contain' receipts could be avoided and clear receipts issued as far as possible. (Para 7.58)

8.143 We recommend that handling devices such as small rollers, wheeled crowbars, *etc.* be provided at goods sheds and transhipment sheds for improving handling of the consignments. (Para 7.59).

8.144 We recommend early establishment of Claims Tribunals. (Para 7.60)

8.145 If, in the processing of claim cases, there has been undue delay but where on merits the claim is one for payment, Railways should not deny claims merely on the technical pleas of the case being time-barred for suits. (Para 7.61)

8.146 We recommend that a suitable monetary limit be fixed in regard to extent of normal liability of Railways per kilogramme goods and similarly for luggage and parcels. Higher liability should be accepted only on payment of suitable percentage charge on the higher value declared. Pending suitable legislation in this regard. We recommend that the limit of Rs. 500 mentioned in Section 77 B of Indian Railways Act be raised to Rs. 1000. (Para 7.64).

8.147 We recommend that the present scheme of owner's risk rates for a few commodities should continue. We, however, recommend that motor vehicles NOC and steam lorries be deleted from the list of items for which owner's risk rates are quoted. (Para 7.72)

8.148 We consider that in respect of commodities for which at present there is no compulsory pre-payment conditions, the normal tariff rate should apply only on the basis of freight being paid at the time of booking. If, however, consignors desire to have the consignments booked 'to pay' there should be a surcharge of 1% on the freight. (Para 7.74)

8.149 To ensure speedy clearance of cheques, we suggest that the cheques may be drawn on the local banks to which cash collections of the stations are remitted or on banks in the Divisional headquarters to which cash collections are sent. (Para 7.76)

8.150 We recommend that pre-payments be made compulsory for booking of newspapers and magazines. We also recommend that coupons of necessary value for the requisite amount should be affixed on the newspaper parcels by the consignors. (Para 7.77)

8.151 We recommend that the Railways should go all out to set up out-agencies wherever there is appreciable traffic that would warrant setting up of such out-agencies. (Para 7.78)

H. K. PARANJAPE

Chairman

K. T. MIRCHANDANI

Member

V. K. STHANUNATHAN

Member

KULBIR SINGH

Acting Secretary

NEW DELHI, 28th June, 1980.

The Committee expresses its gratitude to all the Officials, who have worked with the Committee for their enthusiasm, cooperation and the very good work that they put in. A list of those who worked with the Committee is given in Annexure 8.1.

The Committee would specially like to record its appreciation of the able assistance received by

it from its Secretary, Shri Vinod Pal, whose technical knowledge as well as administrative ability, tact as well as leadership, were of great use to us. The able work put in by S/Shri N. P. Srivastava, Kulbir Singh, N. K. Chandekar, S. N. Trivedi, D. K. Saran and C. P. Chandrashekharan, and also by Dr. (Smt.) S. Lall who worked with us for a year, needs special mention.

H. K. PARANJAPE

V. K. STHANUNATHAN

K. T. MIRCHANDANI

ANNEXURE

(111—112)

ANNEXURE 1.1

CONTAINER SERVICE ON THE INDIAN RAILWAYS

The first container service on Indian Railways was started in January, 1966 on the Bombay—Ahmedabad route; this was followed by a service on the Bombay—New Delhi route in November, 1967. These services soon became popular and were gradually extended to more routes. At present, container services are in operation on the following twelve routes:—

Pairs of Stations	Date of introduction
1. Carnac Bridge (Bombay)—Asarva (Ahmedabad)	15-1-66
2. Carnac Bridge (Bombay)—New Delhi	20-11-67
3. Madras—Bangalore Cantt.	14-1-69
4. New Delhi—Howrah	15-3-69
5. Wadi Bunder (Bombay)—Madras	16-4-69
6. Wadi Bunder (Bombay)—Secunderabad	23-5-69
7. Yeswantpur (Bangalore)—Wadi Bunder (Bombay)	11-11-69
8. Shalimar—Madras	3-11-70
9. Wadi Bunder—Shalimar	16-4-71
10. Carnac Bridge (Bombay)—Kota	16-4-73
11. New Delhi—Madras—Bangalore Cantt.	1-10-73
12. Pune—Madras	20-12-74

In addition to the above 12 sanctioned services, *ad hoc* movement of containers on certain limited routes is also permitted.

2. The main advantages of container service are as under:—

- (i) Door-to-door service.
- (ii) Reduction in transit time.
- (iii) No intermediate handling of goods.
- (iv) Safe transportation of goods, thus reducing considerably the incidence of claims.
- (v) Reduction in packing costs.

3. The containers in use are of two types— one with a payload of 4.5 tonnes and the other with a payload of 5 tonnes. 5 tonnes containers are now the standard containers.

6 of these 5 tonne containers can be carried on a bogie flat wagon of either BG or MG. The containers are placed transversely on the wagons so that the swing doors open out on the platforms and the containers can be stuffed or destuffed without having to be removed from the wagon on a station-to-station service.

The containers are placed longitudinally on the semi-trailers for road transport. They can be approached either from the end of the vehicles or its sides and stuffed and destuffed while standing on the semi trailers.

When bogie flats are not available, containers are carried in BOX wagons also. Precautions like providing wooden sleepers or wedges between containers and between containers and walls of the wagons are taken to prevent damage to containers. Six of these containers can be loaded in a BOX wagon.

4. The present holding of container stock is as under:—

(i) Containers :

4.5 tonne	.	.	.	.	.	139
5 tonne	.	.	.	.	.	1,895
Total						2,034

(ii) Flats :

(a) 4-wheeler flats (BC)	.	.	.	.	47
(b) Bogie flats					
(i) BG flats	.	.	.	.	300
(ii) MG flats	.	.	.	.	8
(iii) Road Units consisting of					
124 tractors and	}	.	.	.	124
124 semi-trailers	}	.	.	.	

5. The rate for the container service is an all-inclusive rate for the transport of goods from the consignor's godown to the consignee's godown. It includes charges for the rail portion as well as the road portion at the two terminals. It is quoted as a lumpsum rate per quintal. The rate is based on the principle of 'what the traffic can bear', but is fixed so as to be competitive with the total charges paid by the parties to the road hauliers. The cost of this service is taken into account while fixing the all-inclusive rate.

Concessional rates are also quoted if necessary, on account of the over riding consideration of meeting the competition from the road hauliers. The all-inclusive rate is fixed after negotiations and mutual agreement between the Railways and the parties.

When a party offers at least two containers or more at a time, the benefit of wagon load scale of rates is given. If only one container at a time is given, a higher rate applying the 'smalls' rates for the rail portion is generally quoted.

A detailed note containing guidelines for fixation of rates for domestic container services is given in the Annexure 1.1.A.

6. The performance of the container service since their inception has been as under:—

Year	No. of container loaded	Freight earned (in lakhs of Rs.)
1966-67	1,864	3.68
1967-68	3,540	9.34
1968-69	9,306	34.94
1969-70	20,484	73.15
1970-71	25,585	97.98
1971-72	31,880	143.72
1972-73	28,759	140.60
1973-74	29,205	157.38
1974-75	30,329	203.58
1975-76	36,939	270.99
1976-77	43,052	338.44
1977-78	40,402	321.67
1978-79	39,762	328.12

ANNEXURE 1.1.A.

FIXATION OF RATES FOR CONTAINER SERVICE—GUIDELINES FOR

Container Rate a Composite Rate

- (i) The container-rate is an all-inclusive rate for transport of containers from the consignor's godown to the consignee's godown, and is quoted as a lumpsum rate per quintal. It, therefore, includes charges for the rail and the road haulage at the two terminals.

Fixation of All-Inclusive Rate

- (ii) The all-inclusive rate is generally fixed so as to be competitive with the total charges paid by the party to the road haulier. Deducting the charges for the rail portion at *Tariff Rates* from the all-inclusive rate thus fixed the balance is shown as terminal charges for the road haul. Normally, there should be no occasion to reduce the rail rates below the tariff level.

Where No Reduction is Necessary in Rail Rate

- (iii) Where there is no reduction in the rail tariff rate, the Railways may finalise the container rates having regard to the following—
- (a) The road portion charges of the all-inclusive container rate need not necessarily be governed by the cost

of road haulage in all cases. It may be necessary in the case of some commodities to quote road haulage charges even lower than the cost of such haulage.

- (b) The endeavour should be to see that losses incurred on the road-haulage portion in such cases are compensated by higher road-haulage charges levied on other commodities.

Where Reduction in Rail Rate is Involved

- (iv) Where in a specific case, owing to conditions of road competition, a reduction in the rail-rate becomes necessary, road charges should be so fixed as to meet the actual cost and then the reduction on the rail portion of the freight calculated. In such circumstances while quoting a suitable station-to-station rate, the Railways should ensure that no charge of undue preference to container traffic can arise from other similar traffic already moving by rail.

In case the non-containerised traffic in a particular commodity is nil or negligible between two points and the Railway Administrations concerned are

satisfied that traffic for containers between these two points can, however, be secured by a suitable rate reduction within the Administrations' rate reducing powers over the rail portion, the Railways could then very conveniently quote, within their existing powers, a reduced rate for the commodity under consideration between the two points in question. Such a reduced rate will then be automatically available for containerised traffic also in that commodity.

Rate of Charge

- (v) The Railways may give the benefit of wagon-load scale of rates to a party who loads at least two containers at a time. This would, however, be treated only as a floor rate, which should be quoted only if the total charges both for the rail and road portions of the journey are not competitive with the charges levied by the road hauliers for carrying the same traffic from door to door. In other words, the Railways will have the authority to quote rates at wagon-load scales but where the traffic can bear a higher charge they may levy the 'smalls' rate or a rate which may be in between the wagon-load scale and the smalls rate.

The all-inclusive rates should be fixed at the maximum possible level, taking into consideration the prevailing road rates.

Element of Crane Charges in Evolving All-Inclusive Rates

- (vi) Proportionate capital cost of crane fork lift or any other handling equipment and working expenses thereof either at terminals or at break of gauge transshipment points must be taken into account while working out the capital cost and working expenses of the services.

Minimum Weight Condition

- (vii) Normally, the prescribed minimum weight condition for wagon load should be fulfilled. But where it is established by an adequate number of trials (which should be done in the presence of a railway officer), that the proportionate minimum weight prescribed cannot be loaded in a container, the minimum weight for charge can be reduced to the level that can actually be loaded, subject to the floor level

prescribed for bulky articles fully occupying a wagon, vide Rule 164 of the IRCA Goods Tariff Part I—Viz. 60 quintals for a B.G. 4-wheeler flat, and 40 quintals for an M.G. 4-wheeler flat. Commodities loaded less than this quantity should be charged at the smalls rate. Prior concurrence of the FA & CAO should be obtained for granting exemptions from the minimum weight condition.

Where the minimum weight condition prescribed for a particular commodity for wagon load rates exceeds the carrying capacity of four 5 tonne or 4.5 tonnes containers i.e. 20 tonnes or 18 tonnes respectively, the minimum weight condition to be applied should not exceed the carrying capacity of the containers, i.e. 20 tonnes for 5 tonnes containers and 18 tonnes for 4.5 tonne containers.

Packing Conditions

- (viii) In fixing the all-inclusive rate in competition with the road, the economy that the trader obtains from the saving on packaging should also be taken into account.

2. General

Relative Advantage to be Preserved

- (i) Since the all-inclusive rate is fixed with reference to road competition and is a matter of mutual agreement between the Railway and the Party, it is quite possible that the road portion charges for the same traffic at the same place will differ from party to party. However, every endeavour should be made, while fixing these charges, to see that the relative advantages enjoyed by the parties in transporting their goods by road are not disturbed, as far as possible.

**Need to Avoid Undue Difference in Rates Quoted to Various Parties*

- (ii) While quoting container rates to parties the need to avoid anomalies or undue difference in the rates quoted for the same or similar commodities booked from either end on the same service should be kept in view.
- (iii) The rates of each container service and the container rates for the freight forwarders in containers should be reviewed once a year in the beginning of each

financial year and invariably whenever there is a general revision of rates and other changes in respect of traffic moving in conventional wagons/vans.

Fixing Per Container Rate for Mixed Commodities

- (a) The rate may be fixed initially for a period of six months, it should not be less than the rate arrived at on the basis of total freight payable at wagon load scale inclusive of QTS charges in force from time to time for each commodity in the mix as per a forecast to be given by the consignor plus both handling cost and the cost of road transport at either end.
- (b) The rate fixed per container should ensure a return of not less than the

average return for that service in the preceding half financial year.

- (c) The rate to be fixed for the next six months period after review should be on the basis of actual proportion of each commodity booked during these six months period in the same basis as in the case of (a) above or on the basis of a revised forecast for the six months given by the consignor, whichever is higher.
- (d) The rate should not be less than those allowed to freight forwarders for containers.
- (e) The other terms and conditions and guidelines would be the same as in the case of containers loaded by freight forwarders.

ANNEXURE 1.2

CONTAINERISATION—(ISO)

Background

1. Until the middle of 20th century general cargo sector of world sea borne trade was dealt with by break-bulk methods. Cargo was loaded and discharged in small lots and individual items were manually handled at the ports and in the ships. This began to change in the fifties with the unitisation of cargo into homogenous units, which could be handled mechanically. By the early sixties, the container system made a big breakthrough and over the last decade there has been a rapid growth in the containerisation of cargo.

1.1 However, in India, it is only in the last three or four years that containers are being handled in significant numbers. Nevertheless, the subject has received considerable attention. A Working Group on Containerisation was set up by the Government of India in 1969, which submitted its report in 1971. This report, which examined containerisable trade routes, potentially containerisable traffic, location of Inland Container Depots (ICD) as well as a number of other aspects of containerisation, has provided the basis for much of the later thinking on the subject.

1.2 In 1975, a Study Group was set up by the Ministry of Commerce specifically to make suitable recommendations for improving documentation and customs and procedures relating to container traffic. Later in 1977, another Working Group was set up to identify the necessary facilities particularly related to the needs of various groups involved: port, customs, shipping, road and Railways etc.

1.3 In 1978, at the request of the Government of India, the Common Wealth Secretariat engaged the services of a reputed firm of Consultants—RPT Economic Study Group—for a comprehensive study of the potential for increasing developing the containerisation facilities in the country. The Consultants have since submitted their report in May, 1979. (Summary of recommendations is given in Sub-Annexure 1.2.A). They have estimated the modal split of hinterland transport for the ports and have worked out the rail portion of the container traffic.

Choice of Mode of Transport

2. Import and export traffic has started moving increasingly in ISO containers. At present, these containers are being stripped and stuffed in the port area, thereby depriving the shippers of the benefit of through movement of cargo.

2.1 Presently, on account of the conditions of bridges and roads in India, the capability of the road system for handling inter-modal containers offered over any appreciable distance, is in doubt. As against this, as brought out by the various Working Group, Railways are a more suited mode of transport and are in an advanced stage of preparedness in undertaking this movement. The design of a wagon to carry inter-national container has long been finalised and a prototype has also been manufactured, which has been successfully trialed and tested. The flats (50 units) now under manufacture for domestic container services also capable of carrying I.S.O. containers.

Present Position

3. As a follow up of the various recommendations of the Working Groups and where necessary in consultation with the Ministry of Commerce, the following policy decisions have been taken:—

- (a) The Railways will develop adequate infrastructure facilities for rail movement of ISO containers between ports and Inland Container Depots.
- (b) Inland Container Depots would be set up at Delhi, Ahmedabad and Bangalore. These Depots would serve as dry ports where customs examination would be undertaken thereby eliminating the customs formalities at the maritime ports.
- (c) Railways will procure adequate number of container flats for carriage of ISO containers.
- (d) The traffic projections as worked out by the Common Wealth Consultants should be adopted for the purposes of rolling stock planning.

Provision of Rolling Stock

4. Based on the traffic projections of the Common Wealth Consultants, it has been decided to make provision for 425 BFKS wagons in the Rolling Stock Programmes so as to ensure that the same number are available for use by 1985-86. In the first instance, provision of 350 flats is proposed to be made in the Rolling Stock Programme 1980-81.

Simultaneously provision for mobile lifting cranes and Goliath cranes of adequate capacities is also being separately made in the Plant & Machinery Programme 1980-81.

Points for Consideration

5. Based on the studies that the Railways are most suited mode of transport for carriage of ISO containers, rail infrastructure is being developed for this purpose. The cost of the infrastructure including development cost of Inland Container Depots would be about Rs. 18 crores. It is, therefore, considered desirable that other competitive modes of transport for this purpose are not developed.

5.1 The operation and management of Inland Container Depots should be under the exclusive charge of the Railways.

ANNEXURE 1.2.A

EXTRACT TAKEN FROM THE REPORT OF THE STUDY GROUP ON DEVELOPMENT OF CONTAINER TRAFFIC IN INDIA

RECOMMENDATIONS

Rates

12. Having recognised the fact that Railway will play an essential and significant role in the movement of containers within the country, it is recommended that they should accelerate the manufacture of the required rolling stock and other suitable container handling facilities on a priority basis. As the quantum of container handling will be very large and as such containers will involve a two way movement to and from the port, it is recommended that the Railway evolve a special container tariff. In this connection, it may be mentioned that railways consider the possibility of charging one-way freight for two-way movement and special concessional rates for exclusive container trains. The Railways should also waive infringement charges for movement of containers. (Refer Section X).

13. With a view to ensure simplified and concessional freight rate structures for the movement of containers by sea, it is recommended that the shipowners evolve a system of Freight of All Kind (FAK) rates on a per container basis. (Refer Section X).

14. Recognising the fact that when requirements of International Standard Organization are modified, infrastructural changes required to be made are expensive and time consuming, especially for the developing countries, it is recommended that Government of India ensure that once certain practices and standards are established by the ISO are not changed too frequently and short intervals. (Refer paragraph VII 4 and 5).

ANNEXURE 1.3

NILAGIRI RAILWAY

1. The main point that is coming up is that the line is working at an enormous loss—some Rs. 50 lakhs per year recently. Normally, such a line should be closed, especially as alternative transport by road is easily available and is apparently popular among most of the users. The main difficulty is regarding the Defence traffic, the most important of which is the traffic to and from the Defence production establishment at Aravankadu. The Manager of this unit has specifically pointed out to the Committee that the use of road vehicles for transporting their production is very hazardous, and that regular despatch of this material to other Defence production establishments in the country is a matter of great importance for overall Defence production. The railway line has therefore got to be maintained for the transport of this essential traffic. It needs to be emphasised that this may turn out to be the main reason for maintaining this railway line.

2. Other reasons also exist but are not that compelling. It is true that this is a unique railway line from the engineering angle and can serve as a kind of museum piece. It may also have some tourist attraction. But the cost involved in maintaining the line in a running condition is so high that one wonders whether anyone will agree to so much expenditure purely for these reasons. Data available as well as observations show that, except for passengers who come from long distances and therefore can travel up to the hill station practically free, not many prefer to travel by the railway line by choice. For extra journeys, even tourists apparently prefer road transport to the railway. This is inevitable, as the time taken by the train is far longer than that taken by a road vehicle. Similarly, only certain types of goods which are low-rated are sent by the railway. The Defence establishments like the College at Wellington send their material by railway; but that is partly because of the low rates which Defence traffic has to pay. Otherwise, even public sector units like Hindustan Photo Films hardly use the railway. To some extent, when they want to ensure their long journey bookings via Mettupalayam, they book for passenger journeys by the Nilagiri Railway.

3. Once the decision is taken that this railway line is to be maintained essentially for ensuring safe and regular transport for the Cordite Factory at Aravankadu, certain other conclusions follow. The first is that some special method of charging for the expenditure that the Railways have to incur on maintaining this line in spite of its highly uneconomic character has

to be found. Inflated distance is already being applied, but it does not serve much purpose with the benefit of telescopic rates. The most appropriate answer to this difficulty would be to charge on a discontinuous mileage basis for all traffic on this section. The other alternative would be to enter into a special agreement with the Ministry of Defence that they would pay for the losses incurred on this line.

4. Once it is decided that the line is to be maintained in any case, the approach should be to examine how the permanent way and other facilities can be best used so as to reduce the losses to the minimum. Would the running of more trains give some surplus over and above the direct cost of running the trains? To the extent that this is so, running extra trains will be worthwhile. Whether it is a matter of improving signalling facilities or mode of traction, it has to be looked at from this angle. At present, does a passenger train in the busy season give more revenue than what it directly costs to run it? If so, more passenger trains in the busy season may be worthwhile. Does the earning from an additional goods train provide a surplus over and above the cost of running the train? Is the cost of running the present trains especially high because the wagons and coaches are old and run on steam traction? Even with the extra capital cost involved in acquiring new diesel engines, would diesel traction be cheaper in that the cost of repairs and maintenance would be lower, and the fuel costs would be comparable (if full account is taken of the fact that coal has to be brought from a long distance), and that new diesel locomotives would enable trains to be run more regularly and, perhaps, more punctually? Some such computation should be made for the purpose of arriving at a decision.

5. A policy of special passenger fares to attract more traffic, and even special goods rates for traffic in particular directions or in particular commodities, could be thought about if it is found that more traffic can be carried and this will reduce the losses. The Tamil Nadu Government has some scheme to develop the tourist facilities in this area. The railway line can be treated as a part of the tourist facilities. In the report prepared by a Study Team of the Southern Railway, they have examined certain alternatives and rejected them. It has not been possible for the Committee to go into these details. It is quite apparent however, that, with the locomotives as well as other rolling stock having become old, their replacement is overdue, and a decision about the continuance of the railway

line and the type of traction that should be used needs to be made very early. As the locomotives as well as other rolling stock will have to be of a special type, designing and producing it is bound to involve a gestation period of some years. It would therefore be essential that a special Study Team of the kind envisaged by us

should be appointed very early to examine the various alternatives and prepare a report. In this case, in addition to the Ministry of Railways and the State Government, it will be essential to associate the Ministry of Defence as well as the Comptroller & Auditor General with the Study Team.

ANNEXURE 3.1

MILITARY TRAFFIC—QUESTIONNAIRE FOR DEFENCE MINISTRY

1. *General*

1.1 Military traffic is presently charged on wagon/vehicle kilometre basis. The wagon/vehicle kilometre rates for Military traffic are revised annually on the basis of weighted average cost of hauling a wagon/vehicle per kilometre (BG & MG) including interest during the third preceding financial year to the year in question i.e. the wagon/vehicle kilometre rates for Military traffic during 1977-78 have been fixed on the basis of cost of hauling of a wagon/vehicle per kilometre during 1974-75. Such a system automatically results in concessional rates as the escalation of costs or public rates during the intervening period is not taken into account. The charges for other items of Military traffic are fixed by escalating the rates by a percentage equivalent to percentage increase in the wagon/vehicle kilometre rates over the previous year. Are you satisfied with the present procedure or would you suggest any modification to the principle of charging by relating the rates to the cost of haulage? If so, please give your suggestions keeping in view the need for a simplified accounting procedure and easy adjustment of transactions between the two Ministries.

2. *Goods*

2.1 Would you agree for Military goods traffic in wagon-loads (other than those charged at present at public tariff rates like coal, coal-shale, coke, patent fuel, explosives etc.) being charged at the wagon-kilometre rate arrived at on the basis of the lowest classification in the Goods Tariff on the average carrying capacity of 22 tonnes for a BG four-wheeler and 18 tonnes for a MG 4-wheeler wagon?

2.2 Do you have any other suggestions for revision of Military Tariff rules for despatch of Military stores etc. by goods trains?

3. *Coaching*

3.1 Would you agree to Military coaching traffic being charged at public tariff rates? If not, what are your proposals regarding the extent of concession to be given to various types of such traffic?

3.2 *Passenger Fare Tax*: Passenger fare tax of 1957 in respect of traffic other than Military traffic has been merged in the fare itself while for Military passengers carried in special trains, Ambulance, and kitchen cars etc., it is continued to be charged separately on the haulage charges of these vehicles as laid down in Rule 210 of Military Tariff. Would you suggest a simplified method for adjustment of the amount of tax annually on lump-sum basis?

3.3 Rules 109 and 201 (8) to (13) lay down the Military carrying capacity for the vehicles and charging of Military personnel carried in excess of Military carrying capacity. Do you find any difficulty in observing these rules? Would you suggest any revision in respect of these rules?

3.4 Various concessions to Military personnel have been enumerated in the Appendix II/2, the schedule of rates given in Annexure 'A' and various types of forms, warrants given in Annexure 'B'. Please furnish your views regarding modification, simplification etc. of these concessions, rates and forms.

4. *Rates for Livestock*: Do you suggest any revision of rules contained in this chapter of Military Tariff?

5. *Special Trains*: Do you suggest any revision of rules contained in Chapter V relating to special trains?

6. *Govt. Explosives*: Would you suggest any revision or addition for the rules contained in

this Chapter VI, keeping in view also the safety and security aspects?

7. General Charges

7.1 Rule 701 prescribes empty haulage charges for special type of stock moved from the station from which such vehicles are hauled empty to the station at which they are required. Complaints of non-utilisation of these vehicles after long empty haulage are received. Would you agree for levy of wagon-registration fee and forfeiture of the fee in case of non-utilisation of wagons to prevent the Defence Deptt. officers from placing unnecessary demands on the rail-ways?

7.2 Charges for Military sidings have been fixed on some *ad hoc* basis and have been revised from time to time on the basis of percentage increase in the wagon/vehicle kilometre rates every year. Would you agree to fixing of the siding charges on the same lines as for public traffic?

7.3 Shunting charges are revised once in five years. Do you suggest any revision for this procedure?

7.4 Rules 707(1) to (8) relating to detention and demurrage charges, lay down the charges for detention to stock. A number of complaints have been received that Defence Deptt. Field Officers order for trains/supply of wagons and when stock is arranged from distant places, the trains are cancelled at short notice or goods stock supplied are not utilised, thereby

resulting in unnecessary empty haulage of stock etc. and wastage of railway resources. Would you agree for the levy of advance deposit amount for special trains and wagon-registration fee for other stock and forfeiture of these fees in case of non-utilisation of stock, in order to prevent infructuous movement of the stock and the Defence Deptt. Field Officers from placing unnecessary demands for supply of stock on rail-ways.

8. Would you suggest any revision for these rules relating to Dangerous goods (conveyance of non-explosive ammunition by rail)?

9. Other Charges

9.1 Would you suggest any revision for Rule No. 713 relating to payment of commission charges for the use of Warrants?

9.2. Would you suggest any revision for existing rule No. 126 relating to Mode of Payment?

9.3 Would you suggest any modification or simplification of other rules contained in Chapter I of Military Tariff?

10. Miscellaneous

10.1 Please furnish a Note on the position of outstanding claims indicating the steps required to be taken jointly by the Defence Department and Railways to prevent losses/damages due to thefts, pilferage etc. giving the details as per proforma given below:

Year	No. of claims preferred		Settled		Repudiated by the railways		Pending		Main causes for claims
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
1	2	3	4	5	6	7	8	9	10

10.2 Please furnish a Note on the position of outstanding amounts between the two Ministries on account of non-payment of undercharges,

procedural difficulties involved in book adjustments etc. giving the details as per proforma given below:

1	2	3	4	5
(a) Reference made by the Ministry of Defence to the Railways.		Gist of the case and amount to be realised.	Reasons for delay in settling the disputed amount.	Remedial measures if any may be suggested.
(b) References received from the Railways.		Gist of the case and amount to be paid.	Reasons for delay in settling the disputed amount.	Remedial measures if any may be suggested.

10.3 Would you suggest any revisions in the packing conditions for Military stores? If so, give details.

10.4 Other suggestions in regard to rates and procedures for transport of Military traffic by rail not covered in the questionnaire may please be furnished.

ANNEXURE 3.2

MILITARY TRAFFIC—QUESTIONNAIRE FOR RAILWAYS

.. General

1.1 The present system of charging Military traffic on wagon/vehicle kilometre basis is in existence since many years. Would you suggest any general modification of this system? If so, please give your suggestions keeping in view that they facilitate a simplified accounting procedure and easy adjustment of transactions between the two Ministries.

1.2 The wagon/vehicle kilometre rates for Military traffic are at present revised annually on the basis of weighted average cost of hauling a wagon/vehicle per kilometre (BG & MG) including interest during the third preceding financial year to the year in question i.e. the wagon kilometre rate and vehicle kilometre rate for Military traffic during 1977-78 have been fixed on the cost haulage of a wagon/vehicle per kilometre during 1974-75 thus providing concession due to time lag. The charges for other items of Military traffic are fixed by escalating the rates equivalent to percentage increase in the wagon/vehicle kilometre rates over the previous year. The Military traffic rates have been revised every year since 1973-74, irrespective of the fact whether there has been revision in the rates for public traffic or not which has resulted in the diminution of the concession to some extent in some cases. Would you suggest any modification to this principle of charging by relating the rates to the cost of haulage?

1.3 Would you suggest for Military goods traffic in wagon-loads (other than those charged at present at public tariff rates like coal, coal-shale, coke, patent fuel explosives etc.) being

charged at the wagon kilometre rate arrived at on the basis of the lowest classification in the Goods Tariff on the average carrying capacity of 22 tonnes for a BG 4-wheeler and 18 tonnes for a MG 4-wheeler wagon?

1.4 It is said that Military traffic is carried below the cost of haulage. Have you worked out the quantum of loss for any period or over any section or for any commodity? If so, please furnish the details if any.

1.5 In regard to coaching traffic, how much concession in monetary value was given during 1978-79 in respect of the following :—

- (i) Conveyance of Military personnel by Ordinary/Mixed/Passenger trains/Mail and Express trains.
- (ii) Conveyance of Military stores, other consignments of Defence Deptt. and personnel by Military Special trains.

2. Rates

2.1 *Goods*: What are the commodities booked on your railway for the Defence Deptt. at public tariff rates? What other commodities of Military stores can, in your view, be charged at Public Tariff rates?

2.2 What are the commodities booked on your railway at Military traffic concessional rates (contract rates)? Please furnish the details of some important commodities booked during any six months (monthwise) during 1978-79 as per proforma given below :

Month	Name of the commodity	No. of wagons loaded			Freight charges		Concession
		From	To	Distance	At Military tariff rates	At public tariff rates	
1	2	3	4	5	6	7	8

2.3 Rule 301 of Military Tariff prescribes a minimum charge per wagon of every description on each railway. Do you find any difficulty in charging on this basis? Would you suggest any revision for this rule?

2.4 Do you have any other suggestion for revision of rules applicable for despatch of Military stores etc. by goods trains?

3. Coaching

3.1 Would you suggest that Military Coaching traffic should be charged at Public Tariff

rates? If not, what proposals you have regarding the extent of concession to be given to various types of such traffic?

3.2 Do you agree that the special charge for the haulage of carriages reserved for the high officials of Defence Services given in Appendix II/1 of Military Tariff should be the same as applicable to other Civil Departments as given in Coaching Tariff?

3.3 Rule 201(3) of Military Tariff stipulates that air-conditioned accommodation will be paid

for at public tariff rates. Are there any cases where Military personnel travel at concessional rates in air-conditioned accommodation? Do you suggest any revision of this rule?

3.4 Rule 201(4) prescribes a minimum charge per Military vehicle of every description over each railway. Is there any difficulty in levying charges as per this rule? Would you suggest any revision of this rule?

3.5 Rules 109 and 201(8) to (13) lay down that Military carrying capacity for the vehicles and charging of personnel carried in excess of Military carrying capacity. Do you find any difficulty in observing these rules? Would you suggest any revision for these rules?

3.6 What are the items of Military traffic on which passenger fare tax of 1957 is still levied? Would you suggest abolition of this element of tax or would you suggest any other simplified method for calculation of this element of tax?

3.7 Various concessions enumerated in the Appendix II/2, the schedule of rates given in Annexure-A and various types of forms, warrants given in Annexure-B, are in vogue since many years. Please furnish your views regarding modification, simplification etc. of these concessions, rates and forms.

4. *Chapter IV—Rates for Live-stock:* Do you suggest any revision of rules contained in this chapter?

5. *Special Trains*

5.1 Rule 501 stipulates the minimum number of vehicles to be charged for at vehicle kilometre rate and minimum charge for a special train. What changes, if any, do you suggest for revision of this rule?

5.2 At present Military special trains are charged at vehicle kilometre rates irrespective of the fact whether they are run as goods trains or passenger trains, except in the case of Ammunition Special Trains. Do you consider that Military traffic carried by Special goods trains should be charged at goods vehicle kilometre rates?

5.3 Have you any other suggestion for revision of rules relating to Military special trains?

5.4 Rule 504 prescribes charges for Armoured and patrol trains. Do you consider that these rates are very low and should be charged as for Military special trains?

5.5 Please furnish some examples indicating the methodology followed on your railway to calculate charges for Military specials run.

6. *Govt. Explosives:* Would you suggest any revision or addition for the rules contained in

this chapter, keeping in view the safety aspect and security aspects also?

7. *General Charges:* Rule 701 prescribes empty haulage charges for certain type of special stock. What other types of rolling stock should be included in this list? Do you consider the rate as adequate? If not, furnish the basis on which it should be charged.

7.2 Rule 702 prescribes rates for double-heading of trains. Are there many instances of double-heading? Do you suggest any basis for revision of this rate?

7.3 Do you consider whether any revision of Rule 703 relating to Ferry charge is necessary? If so, please furnish your views.

7.4 Charges for Military Sidings have been fixed on some *ad hoc* basis and have been revised from time to time on the basis of percentage increase in the wagon/vehicle kilometre rates every year. What changes are necessary and on what basis siding charges should be fixed?

7.5 Shunting charges are revised once in five years. Do you suggest any revision for this rule? Also furnish the basis on which these charges should be fixed.

7.6 Charges in lieu of hire: Is there any difficulty in levying these charges? If so, please suggest any simplified method for levying this charge.

7.7 Rule 707(1) to (8) relating to detention and demurrage charges lay down the charges for detention to stock, etc.

A number of complaints have been received that Defence Deptt. order for trains and when stock is arranged by moving them from distant places, the trains are cancelled at short notice thereby resulting in unnecessary empty haulage of stock etc. and wastage of railway rolling stock, power, etc. Would you suggest any revision of these rules whereby unnecessary empty haulage can be prevented and wastage of power can be avoided; and also some measures to exercise checks on the Defence Deptt. Officers from placing unnecessary demands for wagon, special trains etc.

8. *Other Charges*

8.1 Do you suggest any revision for Rule No. 713 relating to payment of commission charges for warrants etc.?

8.2 Do you suggest any modification for existing rule No. 126 relating to Mode of payment?

8.3 Would you suggest any modification or simplification of other rules contained in Chapter-I of Military Tariff?

9. RULES FOR THE DANGEROUS GOODS (CONVEYANCE OF NON-EXPLOSIVE AMMUNITION BY RAIL) : Would you suggest any modification in the rules contained in Chapter VIII?

10. *Miscellaneous :*

10.1 Complaints about thefts and pilferage of explosives, ammunition, etc. while in transit by rail, have been received. Would you suggest any measure to prevent thefts, etc?

10.2 Would you suggest any separate packing condition for Military stores?

10.3 Please furnish the amount of claims received from Defence Deptt. during the year 1978-79, the reasons for the same and remedial measures if any, in your opinion to prevent such claims.

10.4 If you have any other suggestions regarding Military traffic, delay in settlement of outstanding claims, realisation of undercharges accounting procedure etc., please furnish the details.

ANNEXURE 3.3

HISTORY OF MILITARY TARIFF RATES

1. The Defence Department have been enjoying concessional tariff rates for carriage of military stores and military personnel by rail due to historical reasons from a long time. The question of determining the quantum of concession to be given to Defence Department had arisen in the past and the rates had been revised periodically with the consent of Defence Department. The rates which have been fixed after mutual agreement have come to be known as 'Contract rates'. Even now the system of evolving rates chargeable for carriage of military stores and personnel, by mutual agreement, continues.

Historical Background

2. Prior to 1868, the basis for charging military traffic used to be the actual number of seats occupied by military personnel and the maundage of goods and stores carried. With a view to dispensing with the procedure of counting and checking large number of men and material carried and to eliminate weightment of luggage and stores and calculation of numerous rates under the ordinary method of booking traffic, which caused inconvenience, dispute and delay, the system of charging on vehicle rate basis was introduced in 1868. However, in 1884 the old method of 'per seat' system was reintroduced as the vehicle rate system was proving to be costlier to the Army.

3. In 1904, The Army Department represented that the 'per seat' and 'per maund' system of

charge was complicated and was not easily workable on general mobilisation and they preferred the simpler and more practicable vehicle rate system which could be followed both in peace time and during war without any change. A tentative settlement was reached and the following scale of rates was introduced from 1-1-1908 :—

	B.G.		M.G./N.G	
	Rs	A P	Rs	A P
(i) Coaching and goods traffic per 4-wheeled vehicle or wagon per miles	0-4-6		0-3-6	
(ii) Small bodies of troops	As before.			
(iii) Small consignments, other than coal, and explosives	1/3 pie per maund per mile.			
(iv) Coal and explosives	Tariff rates (Public tariff rates).			
(v) Military parcels traffic booked by passenger trains	Ordinary parcel rates.			

4. However, in the second year, the question of revision was raised by the railways as the railways suffered a considerable loss on the basis of 1908 rates. Though the Army Department conceded that the rates had affected the railways adversely, they were reluctant to agree to any revision. A settlement was reached later

on and the following scale of charges were adopted with effect from 1-1-1910 :

	B.G.	M.G./N.G.
Coaching	0.5-0 per 4-wheeled vehicle per mile	0.3-6 per 4-wheeled vehicle per mile
Goods	0.4-9 per 4-wheeled wagon per mile	0.3-3 per 4-wheeled wagon per mile.

5. The question of revision of rates arose again in 1921 on the ground that rates for public traffic had increased by 15% to 25% and that the cost of working railways had increased. The Finance Department of Defence Headquarters (Military Finance) also agreed for enhancement of the rates as they conceded that the cost of working of railways had increased to a very large extent. The basic rates were, therefore, revised from 1-2-1923 at the following scale of rates:

	B.G.	M.G./N.G.
Coaching	0.5-6 per 4-wheeled vehicle per mile	0.4-0 per 4-wheeled vehicle per mile
Goods	0.5-0 per 4-wheeled wagon per mile	0.3-6 per 4-wheeled wagon per mile
Smalls consignments	0.38 pie per maund per mile (corresponding to revised 1st class rate).	
Coal and Explosives	Public tariff rates.	

6. The question of further revision of rates was considered only in 1949, but the question was deferred as it was not desirable to increase the Defence Budget at that time. Again in 1951, for the same reason, the question was held over.

7. In 1954, a reference was made to the Ministry of Defence to accept the revised rates, proposed to be recovered on military traffic for wagon and vehicle loads, which included the element of interest in working out the cost of haulage per mile of a wagon/vehicle.

8. After prolonged discussion, the Ministry of Defence agreed to the revision of rates with effect from 1-6-1957. The rates were fixed on the basis of cost of hauling a wagon/vehicle per mile as published for 1953-54. With the introduction of metric units, these rates and other units were converted into metric units in 1960.

9. The next revision was made in 1963 after five years on the basis of cost of haulage in

1960-61. Thus, the cost of haulage figures adopted were three years old and did not correspond with the cost of haulage in the year in which the revision was effected. This anomaly was sought to be corrected.

10. The next quinquennial revision was due in 1968-69 and the working costs were going up. With a view to relate the costs of haulage to current costs, the available cost of haulage for 1965-66 was escalated by 25% and the revised rates were fixed, which the Defence Ministry did not agree. The Ministry of Defence particularly objected to the ad hoc increase of 25%. The debits raised by the Railways at the revised rates for the period 1968-69 onwards remained unaccepted. The stalemate continued upto 1972-73 and all the transactions during the period 1968-69 to 1972-73 remained under dispute.

11. In the meeting (copy of the Minutes attached) held on 16-8-72 between the Financial Commissioner, Railways and the Addl. Secretary, Defence, it was agreed that the Defence should get at least the same level of concession which they were getting in 1963-64, as appreciable increase in rates will be reflected in the Defence Budget, which would attract wide notice.

12. In 1963-64, the published figures of cost of hauling a wagon/vehicle (including interest) per kilometre available for 1960-61 was 34 paise per wagon/per kilometre and 43 paise per vehicle kilometre. These figures were adopted for Military traffic chargeable from 1963-64 to 1967-68 (for five years). Thus there was an added concession to the Defence Ministry in relating the military tariff rates to the cost of haulage obtaining three years before the first year of settlement period.

13. However, in the 1972 meeting a major change was effected to in that though the cost of haulage during the third preceding year was adopted as the basis for military tariff rates, the Ministry of Defence was made to agree to annual revision of rates instead of quinquennial revision.

14. The annual revision of rates during the last five years, i.e., 1973-74, 1974-75, 1977-78, have eroded in the element of concession enjoyed by the Ministry of Defence to some extent. The Ministry of Defence have been protesting against the increase in Military Tariff rates when there has been no increase in the public tariff rates. The railways stand has been that military tariff rates are related to cost of haulage while public tariff rates are related to Budget proposals.

15. The increase in rates has been as under :—

Year	Vehicle Km. rate	Percentage increase	Wagon Km. rate	Percentage increase
1973-74	83 paise	—	56 paise	—
1974-75	85 paise	2%	59 paise	5%
1975-76	92 paise	8%	62 paise	5%
1976-77	106 paise	15%	73 paise	18%
1977-78	134 paise	26%	87 paise	19%

16. In the case of passenger traffic the rates for vehicle kilometre which is supposed to be less than the public tariff rates works out to be more than the public tariff rates in some cases.

Year	Distance in Kms.	Cost at individual II Class rate for 75 individuals per senger bogie	Cost at vehicle km. rate per bogie for military traffic	Concession
		Rs.	Rs.	
1977-78	500	$22.50 \times 75 = 1688$	@2.68	1340 348 20.6%
	800	$33.80 \times 75 = 2535$	@2.68	2144 391 15.4%
	1000	$40.45 \times 75 = 3034$	@2.68	2680 354 13.2%
	1500	$55.25 \times 75 = 4144$	"	4020 124 3.0%
	2000	$68.15 \times 75 = 5111$	"	5360 (-) 248 (-)4.6%
	2500	$80.70 \times 75 = 6053$	"	6700 (-) 647 (-)9.6%

According to the Ministry of Defence, the rates over 2000 kms. are producing negative concession.

17. In the case of goods traffic the wagon kilometre rate is still less than the lowest classification viz. 32.5 for goods traffic.

Year	Rate for one wagon-load 24 tonnes (32.5 class)	Rate at wagon kilometre rate for military traffic	Concession
1977-78	Distance rate	@87 paise	%
	500 Kms.	732	433 299 40.8
	800 "	1,075	692 383 35.7
	1000 "	1,287	866 401 31.6
	1500 "	1,718	1,301 417 24.2
	2000 "	2,105	1,736 414 19.6
2500 "	2,407	2,154 253 10.5	

18. In the case of goods traffic, the military tariff rates will continue to be concessional, whereas in the coaching traffic the concessional element will go on decreasing if there is increase in cost of haulage without increase in public traffic rates.

19. The revision of rates for 1978-79 has been kept pending till the matter is finalised by the R. T. E. C.

Minutes of meeting held in the room of Financial Commissioner for Railways on 16-8-72 at 16.30 hrs.

PRESENT

Ministry of Defence

Shri S. K. Mukherjee, Addl. Secretary.
Shri R. Anandakrishna, Jt. Secretary.
Shri L. K. Malhotra, DS(Q).

Ministry of Finance (Defence)

Shri S. G. Dube, Addl. FA(D).
Shri B. V. Holla, DS(Q).

Office of CGDA

Shri Bahadur Murao, Addl. CGDA.

Ministry of Railways

Shri K. S. Sundara Rajan, Financial Commissioner.
Shri K. S. A. Padmanabhan, Director Finance.
Shri D. B. Vohra, Director Traffic Commercial.
Shri V. C. Rajagopal, JDTR.
Shri V. N. Gopala Desikan, JD Stat. (CA).
Shri R. N. Patro, DDF(A).
Shri H. S. Patel, DDTC.

Shri Dube, Addl. FA(Defence) initiated the discussion by recalling the background of fixation of the rates for the military traffic from 1963-64 and, *inter alia*, explained that in accordance with the general principles already agreed upon in the series of meetings between Railways and Defence, the level of concession available to the Defence Ministry should be about 40% on the cost of haulage figure of a loaded wagon/vehicle. In reply, it was pointed out by the Financial Commissioner that a misapprehension seems to have crept in so far as the interpretation of the agreement at the last meeting, the relevant portion of which reads as follows :

“Financial Commissioner, Railways stated that he would be prepared to give the Defence Department the same concession as enjoyed by them earlier i.e. when the cost was 3.45 paise, Railways were charging them 3.00 paise thereby giving a concession of nearly 13%”.

After some discussion both Shri Sundara Rajan and Shri S. K. Mukherjee, Addl. Secretary Defence agreed that it would be best to devise afresh a simple formula within the framework of the earlier discussions. Shri Mukherjee felt that broadly the Defence Ministry should get the same percentage of concession which they enjoyed in 1963-64 as compared to the Railways' cost of operation.

Shri Mukherjee added that certain special features of the case should be given due weight in deciding this issue. Firstly, any heavy increase in military tariff rates could be reflected by an increase in the Defence Budget and thus give a distorted and unfavourable picture. Secondly, the rates for military tariff did not get the advantage of the telescopic effect, available in public tariff rates, and therefore, for longer distances, there was little or no concession.

Shri Sundara Rajan elucidated that while in theory this position could possibly have the effect indicated by Shri Mukherjee, in fact, as the public tariff rates had about 30 different classifications, for the average classification (i.e. for other than the lowest few classes in the scale) the military tariff rate, even without the advantage of the telescopic element, would still be favourable to the Defence Ministry. After further discussion, it was agreed that the broad principle adopted in 1963-64 for fixing the military tariff rate should be applied for the years from 1968-69.

2. It was explained by Shri Sundara Rajan that in 1963-64, the published figures relating to 1960-61 for the cost of hauling a wagon/vehicle per kilometre including interest, namely, 34 paise for goods and 43 paise for coaching were adopted as the basis for the military tariff rates during the quinquennium 1963-64 to 1967-68, thus giving the Defence Ministry the benefit

of the timelag in relating the military tariff rate to the cost of haulage obtained 3 years earlier than the first year of the period of settlement. Railways, therefore, felt that by following the same basis and relating the charges for a particular year to the published cost figures of 3 years earlier, the Defence Ministry will continue to enjoy broadly the same level of concession as they enjoyed in 1963-64.

3. In the light of above, the rates for each financial year will be revised with reference to the figures pertaining to the third preceding year. Thus the weighted average of the published figures of cost of hauling a wagon/vehicle per kilometre (including interest) BG and MG for the financial year three years prior to the year in question will be adopted as the rates chargeable for military concessional traffic. Rounding off will be done to the nearest paisa. Thus the concessional military tariff rates to be charged for financial year 1968-69 will be the weighted

average of the published figures relating to BG and MG in 1965-66. Similarly, for 1969-70 the weighted average of the published figures BG and MG for 1966-67 will be adopted and so on. This was agreed to by the representatives of the Ministry of Defence. The same basis will be adopted in future also and the rates will be revised on a yearly basis.

4. The rates worked out on the above basis for the years 1968-69 to 1972-73 are given in the enclosed statement.

5. In regard to adjustment of past transactions it was agreed that in order to avoid infructuous clerical work lumpsum figures will be worked out without reopening the vouchers, by applying the differential in rates on the total amounts billed for. It was further agreed that for this purpose, the concessional traffic covered by this arrangement may be taken on an ad hoc basis as 44% of the amounts billed for each year from 1968-69 onwards.

Statement showing Vehicle/Wagon kms. rates for Military traffic based on the cost of haulage during third preceding year

Year	Cost of haulage		Year	Military traffic rate for corresponding period	
	Vehicle km. rate	Wagon km. rate		Vehicle km. rate	Wagon km. rate
1965-66	64 paise	43 paise	1968-69	64 paise	43 paise
1966-67	71 „	48 „	1969-70	71 „	48 „
1967-68	73 „	49 „	1970-71	73 „	49 „
1968-69	78 „	50 „	1971-72	78 „	50 „
1969-70	79 „	51 „	1972-73	79 „	51 „

ANNEXURE 4.1

COPY OF RAILWAY BOARD'S LETTER NO. TCR/1078/75/9 DATED 6-3-1978
REGARDING PAYMENT OF TERMINAL CHARGES TO COURTS.

*Sub :—*Payment terminal charges of Ports.

1. It was agreed between the Ministry of Railways and Ministry of Transport and Shipping at the meeting held on 5th Nov., 76 that the entire question of rates of payment, frequency, etc., of the terminal charges to the Ports effective from 1-4-76 will be referred to the Committee proposed to be appointed by the Ministry of Railways for reviewing the freight structure. A copy of the minutes of the meeting is enclosed.

2. Accordingly the Railway Ministry desire that the question of rates of payment, frequency, etc., of the terminal charges by Railways to the Ports should be examined by the Rail Tariff Enquiry Committee. It is considered that this matter would appropriately be examined by the Committee under para 7(c) relating to the terms of reference of the Committee.

(Sd/-

(R. N. SAXENA)

Joint Director, Traffic Comml. (Rates),
Railway Board.

DA : As above.

Minutes of the meeting held on 5th November, 1978 in the room of Shri B. M. Kaul, Member Traffic, Railway Board, regarding the payment of terminal charges to Port Railways from 1-4-1971 onwards.

PRESENT

Ministry of Shipping & Transport

1. Shri M. Ramakrishnayya, Secretary.
2. Shri V. R. Mehta, Director (Ports).

Ministry of Railways

1. Shri P. N. Jain, Financial Commissioner.
2. B. M. Kaul, Member, Traffic.
3. Shri V. K. Sthanunathan, Director, Traffic (Comml.).
4. Shri P. S. Sivaswamy, Joint Director, Finance (Stores).

1. Secretary, Shipping & Transport, observed that the basis on which payment of terminal charges should be made by Railways to the Ports for the period from 1-4-1971 onwards had been under discussion between the two Ministries for quite some time. While the Railways maintain that the increase in the rates of such charges would be allowed only to the extent of the increase in supplementary charges imposed by the Railways during the previous quinquennium, the Ports have contended that the terminal charges should be calculated as a percentage

(around 5 per cent for each terminal as computed by several Committees in the past) of the total freight earned by the Railways. The Ministry of Shipping & Transport had suggested a compromise formula, viz., that the revisions in the rate of terminal charges could be made annually on the basis of the increases in the freight earnings of the Railways per tonne km. This method of computation would enable the Ports not only to meet the increasing costs of terminal services but also comply with the recommendations of the PAC that the revisions of the terminal charges should be contemporaneous with the revision of freight charges on the Railways. The question whether the percentage increase in terminal charges for the year 1971 and thereafter should be related to the percentage increases in the per tonne km. rates since 1966 or since 1958 (when the terminal charges were first merged in the freight rates) could also be gone into and decisions taken in this meeting.

2. Member Traffic observed that the fundamental concept of making a separate payment to the Ports as terminal charges should itself be examined in depth. The Ports are recovering from the public local haulage charges to cover the line haul and other operations over the small length of the Port Railways. There has been a heavy increase in the local haulage charges

since 1958; for instance, on the Bombay Port Trust Railway, it had gone up by 291 per cent upto 1970-71 as against only 56 per cent on the trunk railways. Consequently, it would also be argued that duplication of charges for the same facility is involved in this process to the detriment of trade in general and might also be consequently shying away traffic from rail to road. He stated that any further increase in the local haulage charges is, *prima facie*, not justified until the matter is comprehensively examined in the context of an overall through rate within the existing freight structure. Member, Traffic also mentioned that the obligations of the Port Trust Railways as terminal agents should be clearly defined and laid down in the respective agreements. If the Port Trust Railways are to get the terminal charges, they must undertake to perform the terminal services to the extent, and in the manner expected of any terminal agent of the trunk railways. The trunk railways should also have the right of inspection and supervision over the working of the port railways to ensure observance of the same standards as are applicable to the trunk railways.

Secretary, Ministry of Shipping & Transport, stated that observance of standards laid down by the Government Railways as the regulating body is unexceptionable. The question of supervision of Port Railways by Government Railways did not, however, arise. Local haulage charges in ports have to be revised in view of increase in operational costs and the Railways' unwillingness to fully reimburse the cost of terminal operations; these cannot be frozen.

3. Financial Commissioner observed that the principle adopted in the past two quinquennia, viz., relating to the increases in the rates of terminal charges to the increases in the supplementary charges imposed by the Railways, was a rational one. He recalled that when this subject was first discussed in 1962, the Ministry of Railways had not, in fact, accepted the principle of automatic revisions of terminal charges on the basis of future increases in surcharges, as the latter were intended to augment the trunk railways revenues according to their requirements and the revisions might, in some cases, not at all affect the traffic pertaining to the ports. However, in respect of the quinquennium 1966 to 1971, the Railways had agreed to relate the increase in the terminal charges to the increases in supplementary charges imposed upto 1-4-66, and this method of computation was also accepted by the Ministry of Shipping and Transport for that period. The adoption of the earnings per tonne km. as a base for regulating the payment of terminal charges would not in his view, be justified. The increase in freight rates, including changes in classification, *etc.*, should be deemed to have been more for the purpose of covering the

costs of other significant facets of Railway operation, *e.g.*, line haul and marshalling in the mid sections, *etc.*, than the terminal activities which constitute only a small proportion of the total cost.

Secretary, Ministry of Shipping & Transport, stated that the above statement could not be substantiated unless supporting data is furnished showing the break-up of increases in freight earnings. Some rough data of costs was then shown at the meeting; it was however stated that this needed considerable amplification and elaboration before meaningful conclusions could be drawn. Secretary, Ministry of Shipping & Transport, stated that as the cost base was not being followed, the tonne km. rate would be the only fair basis even though it would be disadvantageous to the Port, in that it shows a depressed figure of increase due to the telescopic line haulage rates and the increase in lead on Government Railways during the past many years. He added that it was difficult to accept a statement that the increase in integrated freight did not involve increase in earnings for all items of operations (which are covered by integrated freight).

The Financial Commissioner, while conceding that the problem of segregating, on a notional basis, the element of terminal charges included in the total freight was somewhat complex, suggested that so far as the quinquennium between 1971 and 1976 was concerned, it would be necessary to find some *ad hoc* solution. In regard to the period commencing from 1-4-1976 the entire question could be comprehensively examined by the Committee which the Railways were proposing to appoint for reviewing the freight structure and other related aspects of railway operations. Financial Commissioner (Railways) also pointed out that so far as the quinquennium between 1971 and 1976 was concerned, the question of making the revisions annually would not arise; any such procedure could, however, be considered for the next quinquennium commencing from 1st April, 1976, subject to the recommendations of the proposed Committee.

Director (Ports) clarified that the increase in local haulage rates in some of the port railways looked big when viewed as percentages because the original rates in these port railways systems were very low; the rates in all the port railway even after the increases are very much lower than the lowest slab of rates on Government Railways. It is well-known that haulage over short distances within the port area is by its very nature expensive and even on the Government Railways, the rates of haulage on certain sections like Darjeeling-Himalayan Railway or Kalka-Simla Railway or Neral-Matheran Railway are much more than the rates on other sections. The delay in the approval of the proposals for increase in

local haulage charges submitted by Calcutta Port some time ago to the Railway Board had come in for criticism by the Public Accounts Committee. Director (Ports) also mentioned that since the Government Railways were collecting the notional increases in terminal charges (including in the increases in freights) from the date such rates came into force and such one-end increases (for the port rail traffic) are on behalf of the ports, it is only fair that the revision of terminal charges payable to the ports is done on an annual basis and the Railways do not retain the revenue collected on behalf of ports by depriving the ports of the benefit for 4 years. He also pointed out that there was no decision in any of the past meetings that the payment for the years 1971 to 1976 would be only on the basis of a single quinquennial rate.

4. In response to a query, Director (Ports) clarified that the financial implications of the following alternative methods of computation of the terminal charges had been worked out :—

- (i) Linking the increases in the rate of terminal charges to the increases in supplementary charges ;
- (ii) adopting the differences in the earnings per tonne km. between 1965-66 and 1970-71 ;
- (iii) adopting the earnings per tonne km. as the base, but revising the rates from year to year ; and
- (iv) calculating the increases in the tonne km. rates with 1-4-1958 as the base date and revising the rates annually during the 5 years between 1971 and 1976.

The various calculation involved additional payments ranging from Rs. 20 lakhs to Rs. 80 lakhs per annum over those proposed by the Railway Board in their letter of 14-3-1975. These were all rough figures as the distribution of total traffic handled by ports between 'L' and non 'L' and coal traffic was not available in the Ministry and figures of Cochin, though small, were not available and not included.

5. The Financial Commissioner (Railways) observed that since the present decision would apply only to the quinquennium 1971 to 1976, it would, perhaps, be necessary to arrive at a mutually acceptable solution for this period only without examining in depth the merits or deficiencies of the various alternatives proposed.

6. After discussion, the following decisions were accordingly taken so that the long pending matter of payments relating to the last quinquennium ending 31-3-76 is settled :—

- (i) For the 5 years period 1-4-71 to 31-3-76, the Railway Board had earlier offered the following rates for payment of terminal charges :—

'L' Traffic—Rs. 1.18 per tonne.

Non-'L' Traffic—Rs. 1.57 per tonne.

Coal Traffic—Rs. 1.21 per tonne.

It was decided that, purely as an *ad hoc* arrangement, an additional amount of Rs. 80 lakhs would be paid for the entire quinquennium in addition to the amounts arrived on the basis of the above rates. This payment will be in full and final settlement for the terminal charges due for the quinquennium 1-4-71 to 31-3-76. The Ministry of Shipping & Transport would advise the port-wise distribution of this amount, based on the tonnage handled, to enable the Railways to effect payment accordingly. While doing so, the rates of payment may be made uniform for all the ports including Madras & Cochin.

- (ii) The entire question regarding the principles, rates of payment, frequency, *etc.*, of the payment of terminal charges to the ports from 1-4-76 will be referred to the Committee proposed to be appointed by the Ministry of Railways for reviewing the freight structure, *etc.* The Secretary, Ministry of Shipping & Transport, requested that the terms of reference of this Committee may be shown to him. Member Traffic stated that the terms of reference would be advised to him and the Ministry of Shipping & Transport would have the opportunity to express its views fully which will be given due consideration by the Committee.
- (iii) The payment of terminal charges for quinquennium commencing from 1-4-76 will continue to be made provisionally at the rates fixed for the previous quinquennium pending the final recommendations of the proposed Committee referred to in sub-para (ii) above.
- (iv) The rights and obligations of the Port Railways as terminal agents should be clearly defined in the respective agreements.

ANNEXURE 4.2

QUESTIONNAIRE ISSUED BY RTEC TO PORT TRUST RAILWAYS

- (1) Please furnish the financial results of working of the Port Railway for the last 20 years. In case the financial results indicate deficit, please state the main factors responsible for the deficit.
 - (2) Please furnish the total traffic handled by the Port Railway during the last 20 years year-wise. The information may please be furnished separately for inward and outward traffic.
 - (3) What are the principal commodities dealt with on your Railway? Please indicate the figures of traffic in these commodities booked over the Port Railway during the last five years. This information may please be furnished separately for inward and outward traffic.
 - (4) What is the quantum of local traffic booked over the Port Railway?
 - (5) Since 1958, how many times were the haulage charges over the Port Railway revised? Please indicate the changes made in haulage charges from time to time since 1958.
 - (6) At what rates terminal payments are being made by the Trunk Railway to the Port Railway on through traffic interchanged with the Port Railway? Please also furnish the changes made in the rate of terminal payments since 1958, indicating also the amount of terminal payments received from the Trunk Railway year-wise since 1958.
 - (7) Please furnish the details of terminal services rendered by the Port Railway and the Trunk Railway at the Port-end in regard to inward as well as outward traffic.
 - (8) Are the costs of terminal services rendered by the Port Railway separately worked out and if so give details thereof?
 - (9) (a) Please furnish the details of working arrangement between the Port Railway and the Trunk Railway in regard to handing over and taking over of loads/empties. Upto what point does the Trunk Railway haul the wagons and hand them over to the Port Railway and vice-versa?
(b) Please furnish a copy of the Agreement executed between the Port Railway and the Trunk Railway.
 - (10) How is the movement within the Port Railway done? Are the wagons hauled by the locomotive of the Port Railway or by the locomotive of the Trunk Railway? If the haulage over the Port Railway is done by the locomotive of the Trunk Railway, how is the Trunk Railway compensated for the work done within the Port Railway?
 - (11) What are the existing arrangements for the interchange of wagons between the Trunk Railway and the Port Railway? What is the time upto which wagons could be detained in the Port area without payment of detention charges? At what rate are detention charges levied by the Trunk Railway for the wagons detained beyond the time allowed?
 - (12) What is the average detention of wagons in the Port Railway?
 - (13) Are clear RRs issued for goods booked from Port Railway? If not, what are the reasons for not issuing clear RRs?
 - (14) Is the levy of a separate freight charge over Port Railway proving to be a deterrent for attracting additional traffic? If so, what suggestions have you got in this regard?
 - (15) Are there any features special to your Port Trust Railway which you would like to bring to the notice of the Committee?
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ANNEXURE 5.1.

REPORT ON SIDINGS—CONSTRUCTION, OPERATION AND CHARGES SUBMITTED BY SHRI V. SANKARAN, S.C.O. (R), SOUTHERN RAILWAY (RETD.).

1. When a railway line of small length runs sideways from a railway station to handle particular descriptions of traffic of the railways, we have a "Siding". The line thus gets designated as a "Siding" as it runs sideways from the main railway system. As a corollary the siding must be of the same gauge (width) as the one on which the railway station is situated. As a consequence the siding gets integrated to the railway system of the country.

2. The particular descriptions of traffic mentioned above can be placed for general purposes under the following heads:—

- (1) For handling defence materials. These in railway jargon are called Military Sidings.
- (2) For handling railway's own traffic offered in large quantities. These are called departmental sidings.
- (3) For handling special types of traffic for all Customers such as—
 - (a) inflammable and dangerous goods.
 - (b) heavy merchandise such as timber, Iron and Steel etc.—
 - (c) market produce close to the market yards for the convenience of the traders.

These sidings go by the name of Public Sidings; and

- (4) For handling goods consigned to or by Industries. When the whole outlay is borne by the owners of the factories, they are called private sidings when the railway partially assists the owners to reduce the capital outlay on the construction of the sidings they are called "Assisted Sidings".

3. Items 1 and 2 are not available for the use of the customers of the railway at large and need not therefore become the subject matter of this report. Item 3 is built on the volition of the railway leaving the option to the customers to use or not to use the sidings. This too need not become the subject matter of this report. The report therefore deals only with matters pertaining to item (4) viz. Private and Assisted Sidings.

4. To agree to construct a siding for handling the traffic belonging to parties, by and large, industries engaged in mass production of goods lies within the discretion of the railways. The

discretion is mostly influenced by considerations of terrain, location of residential areas and what is more important conditions of operation of trains generally in the section of the railway and particularly at the station from which the siding will take off.

5. For a Private Siding the applicant must have the land in his premises to lay the railway line (of the siding). The land between his and the railway's if any must be acquired by the railway at his cost. The railway must lay a connecting line from the existing one. If the siding is to be taken beyond the premises of the applicant, that too must be acquired at his cost. Thus the land surface in (i) the area between the railway's land and his, and (ii) the land beyond his premises if needed by him, must be acquired and he bears the cost of acquisition. For the railway's land he pays rent. The acquisition is made by the railway conforming to the provisions of the Land Acquisition Act, by applying to the revenue authorities of the State Government.

6. The railway line consists of two portions—Sub grade and super grade. The sub grade is the earth work and formation which will facilitate the fixture of the super grade. The super grade consists of rails the sleepers for the rails to rest on, Girders in the case of bridges or culverts and such things as can be removed. The applicant pays for both the sub grade and super grade. As he bears the cost of both, he bears no charge on the capital invested to the railway. When the siding is to be conditioned for Electric traction, he bears the cost of the required equipment.

7. In the case of the Assisted Sidings, the land acquisition is on all fours with the Private Siding, with the applicant bearing the cost of acquisition. In both the cases—Private or Assisted Siding—the land so acquired vests with the railway. The difference between the two appears in respect of the Super grade work, for in the case of the Assisted Siding also, the sub grade work is done at the cost of the applicant. For the super grade work, the railway supplies the materials—i.e. the materials which can be removed when or if the siding is abandoned, and the applicant bears the charge of interest on the value of the materials supplied. Similarly for introducing Electric traction, the equipments are supplied by the railway while the applicant would pay the interest on the cost of the equipment and installation thereof.

8. The difference between the Private Siding and Assisted Siding can be briefly stated as that while the Private Siding has all the capital found by the applicant, the Assisted Siding has the Capital partially found by the railway for which the applicant pays an annual interest.

9. An applicant initially is requested to go through the format of the agreement he is to execute with the railway later. If he feels the terms are acceptable he pays for the initial expenses to list preparation of the estimate of costs and the survey. When he gets the estimate he deposits the amount of the estimate. The work then starts. When the work is complete the siding is ready to be opened—which means it can handle his traffic.

10. For the preliminary expenses the amount demanded is not uniform in all the zonal railways. While in the N.F. it is a graded levy based on the estimated cost; at 2% of the cost when the estimate is for Rs. 1 lakh and more, 2½% when it is over Rs. 60,000 but less than a lakh and so on, it is a sum of Rs. 1,000 over SC Rly and Rs. 800 over S. Railway for the first km and Rs. 500 for every additional half km or less over SC Railway and Rs. 400 for every additional half km or less over S. Railway. As the salaries of the establishment and cost of materials used are now more or less uniform in all Railways, this difference in preliminary expenses is unwarranted. The railways may consider making the charges uniform.

11. The applicants have the choice to do the sub grade work in which case the railways charge an inspection charge. This inspection charge varies between railways it being 6½% of the estimated cost over N.F. Railway and Rs. 20 per km. over Northern Railway and 12½% over S.C. Railway. This charge also can be standardised and made uniform.

12. Similarly for the cost of the permanent way materials supplied, though the railways uniformly charge the actual cost according to the ledger plus freight and departmental expenses, there are variations here and there such as the Central Railway charging 6½% towards departmental expenses and besides freight. The term freight is an elusive expression because it is a factor variable with the distance over which the materials are moved. It should not be difficult for the railways to nominate a depot as close to the siding as possible so that the freight can be calculated for a definite distance.

13. To arrive at the Capital Cost on completion of the work, some of the agreements clearly show that the interest during construction and the departmental Inspection charges etc. will be

added to the amount spent on later on materials etc. In the railway's ledgers the capital at charge shown includes the interest during construction as well. To attain uniformity the same procedure should be adopted by all the railways and the relevant clause in the agreements should be so worked as to show that this is done.

14. With the opening of the siding, the service or the purpose commences and a series of recurring charges are detailed but to ensure that there is no future default by the owner of the siding a security deposit is taken. The amount of this security deposit is not uniform over the zonal Railways. The N.F. Railway takes Rs. 350 the Central Railway takes 4½% plus 6% of the capital for private sidings and 9% of the capital subject to a minimum of Rs. 200 for Assisted sidings and the S.C. Railway Rs. 1,000. The amount of deposit can also be made uniform over all the railways as the cost of the default cannot materially vary between Railway and Railway. This amount earns no interest and this provision may continue.

15. When the siding starts handling traffic, the railway collects a siding charge for the service rendered. This is dealt with later in this report at some length. The over charges which the owner bears irrespective of whether traffic is handled or not are:—

- (1) Interest on capital invested by the railway.
- (2) Land rent in the case of Private Sidings.
- (3) Repairs and maintenance charges.

Item (1) applies mostly to Assisted Sidings which contain permanent way materials and Electrical installations supplied by the railway. The rates are not uniform in all railways. Most of the railways state that the rate will be as notified from time to time. The Central Railway specify it as 6½%; the N.E. Railway as 6%; the Northern as 5.75% and the S.C. Railway 6%. This charge again is another that can be the same over all railways but it should be an amount that can vary with the fluctuations in the interest rates each year. The interest is collected half yearly but the rate can apply for a whole year. To enable the railways to bill the charges, the rate proposed should be advised by the Ministry of Railways at the time of the presentation of the railway budget.

Item (2) remains fixed for 5 years as the market value of land is reviewed quinquennially. The present procedure calls for no change but the review should be made compulsory every five years over all Zonal Railways.

Item (3) is levied as a %age of the capital invested by the railway and the party together. By repairs are meant only tightening the fittings or greasing joints. For any replacements called for the owner is asked to foot the bill. The present rate in most of the railways is 4½% of the capital which is evaluated at the present day costs.

16. The levy of this charge has been resented by the owners some of whom have complained to the Railway Rates Tribunal. The provocation has been the annual increase under the head, as prices have shown no tendency to stabilise or come down. The Railway Rates Tribunal in their judgements are seen to have probed deeply into the matter. The Tribunal has compared the actuals in the sections of the railway and have tested the levy with Maffings formula and it is seen that the levy has stood the vigorous tests of reasonableness guide well. The Tribunal however goes by evidence on record or as tendered by witnesses during trial. A visual test however may lead to different conclusions. During the visits recently made to study conditions in sidings one piece of information uniformly given was that the Engineering Department of the railway very seldom visit the siding. The evidence given before the Tribunal must therefore be deemed to be based on the theory that as there was no accident the maintenance was properly done. For this state of affairs if the railway lowers its levy, it will not be out of pocket. The levy can reasonably be pitched at 2% of the present day capital cost and this would meet the expenses incurred by the staff to make an occasional call on the siding. It would however be desirable to bring the charges to as near the expenses actually incurred as possible and the best way to levy the costs as incurred by the railway for their own maintenance. The expenses as on a branch line is considered reasonable.

17. The owner pays what are called siding charges which finds the most important place in the relationship between the owner and the railway. Indeed many of the complaints preferred before the Railway Rates Tribunal relate to the unreasonableness of the Siding Charges. The siding charges are the charges levied by the railway to convey to godown or factory or other premises to which the siding has been laid, the goods consigned to or by the owner. Which of course is the very purpose of constructing the siding. As it is a service done by the railway, the charges therefore has necessarily to be reasonable. The service is one of the terminal service which was mentioned in the Indian Railways Act IX of 1890, till it was replaced by an amendment effective from 1958. The relevant sections of the Act read as under:—

“(Section) 32—*Power of Central Government to fix TERMINAL and other charges.*

The (Central Government) may, by general or special order, fix the rates of terminal and other charges for the whole or any part of a railway, and prescribe the conditions in which such rates will apply.

The next original S. 46 (Power of appropriate authority to fix terminals) rep: by the Indian Railways (second Ammendment) Act 1948 (65 of 1948) (w.e.f. 4th April 1949).”

“(Section) 3—*Definitions*

(14) terminals includes charges in respect of stations, *sidings* (under line not in the Act) wharves, depots, warehouses, cranes and other similar matters, and of any services rendered thereat.”

18. Both Section 32 & 3(14) do not appear in the Act at present. The amendment of the Act w.e.f. 1958 was necessitated by the Ministry of Railways accepting a recommendation of the Freight Structure Enquiry Committee (1955) Report that terminals were a legacy of the colonial (British) rule which introduced a rating pattern copied from the British Railways, and that terminal charges are not levied in Railways of other countries. The subject has also been extensively dealt with by Mr. K. L. Crawford in his voluminous and (may it be further qualified) luminous report of 1948. The discussion in the RFSEC'S Report (1955) and Mr. Crawford's report centre round the terminal added to the freight rate and little round the siding charges. When the sections enabling levy of terminal charges were repealed, the authority for the levy of siding charges should have gone there with but the levy finds its authority in the fact that the railways notify these charges in their Tariff and Rate Circular and the RRT takes complaints hereon into their file as Sec. 41 gives jurisdiction to the Tribunal to hear complaint of unreasonable other charges’.

19. The Act as it stands can provide a fertile field for the litigant customer of the railway to argue that when section 32 with sect. 3(14) was repealed the intention of the law makers was to do away with all kinds of charges for terminal services and therefore there is no case for the railway to collect the siding and crane charges.

20. The railway on the other hand could offer the plea that the other charges mentioned in Secn. 41 providing jurisdiction to the tribunal to hear complaints of unreasonable siding charges had gone out of the Act with the annulment of Secn. 32 and could not be applied to siding charges which are levied according to an agreement entered into with the complainant.

21. The several judgements of the RRT (Published) do not however show any one taking this line of argument except partially by the rail-

way that the charges are levied according to the agreement. It still looks as if the RRT has no jurisdiction but if on closer legal scrutiny it is felt that jurisdiction is not barred, the Act should be made free of the ambiguity.

22. For the service of goods transportation rendered by the railway, charges are levied on the well known principle of what the traffic can bear or the cost of service or the value of service. The railways notify at what stations they will accept traffic and where they will deliver the traffic. Thus the traffic move between notified points. The traffic accepted is moved in wagons and the railway undertakes to accept for conveyance even very small quantities inadequate to fill the space in the wagons. But as there are several points in between which can offer traffic in varying quantities the railway is in a position to collect as much as is necessary to create a payload. The payload so created can more than cover the cost of transportation as the goods which bear higher rates of freight pay for what the goods bearing lower rates of freight fail to pay. In the case of a siding the traffic offered belongs to only the owner and no one else and in most cases of the same description when the quantity offered is small the earnings for the distance of the siding cannot cover the cost of hauling the wagon which inescapably has to be employed. The same incidence can be applied for the utilisation of the engine also. While in the case of traffic between Stations wagons in sufficient number can be collected from stations enroute to make up an optimum tonnage for an engine, an engine has to be employed irrespective of the number of wagons consigned to or by a siding owner.

23. All along siding charges have been listed on the assumption that the value of service principle does not operate as there is no change of location, i.e. the goods appreciate in value when they reach the point of consumption and the railway claims a reasonable share of the appreciation in value to which it had contributed. In the case of the siding it was considered here is no such scope for appreciation as the railway station to which the siding is connected is in the same locality.

24. There was thus no other way then the principle of cost of service to apply and the Indian Railways have been adopting the principle. What causes the cost to be incurred is the locomotive and as the cost of the locomotive is calculated on the time spent in rendering the service the charges are calculated on the cost of the engine per hour remaining in service. Being essentially a terminal service the charge should be claimed separately from the freight charges which are claimed for the service of transportation. In fact in most of the railways the charges are collected locally by a separate bill. In the

E.R. and S.E.R. the distance of the siding (length) is added to the distance for calculating freight from the booking to the destination station and one rate arrived at to calculate the total freight. Apart from the railway not getting any freight when the hauls are long—the small distance of the length can get lost in the rates for blocks of 50 kms or even less—it is incorrect in principle to combine charges due for separate services viz. terminal and transportation services.

25. It should now be clear that the levy does not admit of over simplifications like charging $\frac{1}{4}\%$ of the freight towards terminal charges, for a few wagons handled in the siding meant for long hauls will bear a heavier incidence of siding charges while a large number of wagons hauled for shorter distances will bear comparatively lower terminal charges.

26. When the owner has a locomotive of his own to do duty in the siding no siding charges are due.

27. Before the present levies are commented upon, it will be interesting to recall the evolution of the charges as they appear at present.

28. Sidings are nearly as old as industrialisation in this country. Most of the sidings were laid around Bombay and Calcutta where industries sprang up in earlier years. Though at this date no papers are available to show how much of and on what basis siding charges were levied, it looks certain that the charges began in the Bombay area with so much per wagon. This was always nominal. In the case of Calcutta, the rate was based on the weight—at so much per maund (about 37 kgs). The number of siding increased especially in Northern India when in the thirties several Sugar Mills were established, following the results of research conducted by late Sir T. S. Venkararaman of Coimbatore in Sugar Cane Cultivation. Most of the sidings sprang up in the B & NW portion of the present N.E. Rly. and EIR portion of the present N. Rly. The economy was so much under the grip of depression that the railways found there rolling stock idling for want of traffic. These railways offered easy terms to the sugar factories to get their product moved by rail and one inducement was construction of sidings at nominal costs and levying nominal siding charges. When the war broke out, the incentives stopped but when after independence the country took to widespread industrialisation, the number of sidings multiplied manifold. Fresh applications continue to come for new sidings but the rush has thinned.

29. The East Indian (Now ER) and Bengal Nagpur (now SER) had a number of collieries from where Coal had to be conveyed to distant

places but mainly to Calcutta. In the case of collieries the siding charges were calculated slightly differently. The distance was taken upto the station ahead or upto the buffer end of the siding whichever was longer and the freight calculated on the through distance. No separate charges towards interest, maintenance and repairs were collected. But as the freight rates upto 1948 were on a flat basis irrespective of the total distance, some thing accrued towards siding charges. In the case of the Central India Collieries of the BN (Now SER) a siding charge of Re. 1 per 4 wheeler and Rs. 2 per bogie (8 wheeler) were levied. Interest, Maintenance & repairs charges were collected in addition.

30. Over the Northern Railway at some stations the siding charges were based on the engine hour cost but these charges were limited to 5 wagons in a shunt. When in a shunt more wagons than 5 were handled, no charges were collected for the number in excess. Interest, maintenance and repairs charges were levied in addition.

31. In the MSM now mostly in S.C. Rly, and S.I. Rly. (now S. Rly.) the charges were based on the cost of the shunting engine hour but the methods slightly varied between these railways.

32. In the GIP Rly. (now C. Rly.) charges were related to the length of the siding and a charge of Re. 1 per wagon and Rs. 2 per bogie were levied.

33. In the OT Rly. (now in NER) a lump sum contribution of 10% of the Railways part of the capital was collected—8½% of which was treated as Repairs, Maintenance and interest charges and the balance 1½% towards siding charges.

34. The Eastern Railway is seen to have taken the actual time taken by the engines and reckoned the cost per engine hour on the assumption that the engine moved at 5 miles per hour. Evidently that Railway was working out the unit cost at so much per engine mile.

35. The first step towards uniformity was taken in 1958. While the siding charges for the collieries and some sidings dealing with general merchandise were excluded. (Where one engine served more than our siding) the others in all Railways were asked to adopt one or the other of the following:—

- (1) Re. 1 per 4 wheeled subject to a minimum charge per trip arrived by multiplying the average time taken per shunt

by the cost of the shunting engine hour, or

- (2) Rate per 4 wheeled wagon arrived at by dividing the total estimated cost of shunting per annum by the total number of estimated loaded wagons (inward and outward) to be dealt with on the siding without any minimum charge per trip. These charges are to be reviewed once in 3 years.

36. This placed on the Zonal Railways the responsibility of working out the engine hour cost. The Railways adopted their own methods and the uniformity aimed at was missed. In 1963 the Board directed the railways to work out the engine hour costs according to a note prepared in their Statistical and Economics Directorate.

37. The next step was taken in 1964 when it was found that train engines were employed for shunting purposes and as these engines cost the railways a little more the railways were asked to add 20% to the rates fixed for shunting engines and demand the charges where train engines did duty in the siding.

38. The rate per wagon at Rs. 1 per 4 wheeler still remained in the Tariff and the Board in 1966 directed that siding charges should be calculated on a trip basis by multiplying the time spent by the engine by the engine hour cost.

39. In the case of new sidings a provisional rate may be fixed initially to be fixed after 3 months during which period, there would be actual work done in the siding.

40. In 1973 instructions were given to the railways to add 10% to the charges calculated on engine hour cost towards an element of profit.

41. By the end of 1973, the railways were directed to calculate the actual train engine cost so that the ad hoc levy at 20% over shunting engine hour costs can be given up. This was in pursuance of the Judgement of the RRT on a complaint.

42. To comply with the observations of the Railway Rates Tribunal, intensive study of the costing method was undertaken thereafter and it was decided in 1976 to have an all India cost, per BG & MG and for train engine and shunting engine separately. This was notified in 1976 but it was confined to steam traction. As diesel traction in the meantime had replaced progressively steam traction a charge with weightage for diesel traction was worked out and notified to be effective from 1-6-78. The cost of engine hour now

in force is

	B.G.	M.G.
	Rs.	Rs.
Shunting engine	174	151
Train engines	247	237

The siding charges are now quoted by multiplying the above engine hour cost with the average time spent in the siding. These charges are not revised triennially but annually a review should be made of the variation of the cost in gradients and revision made but no change of the duration adopted already is necessary.

43. The siding charge quoted by N.E. Railway became the subject of a complaint before the Railway Rates Tribunal complaint No. 4 of 76. In the Judgement reported vide 1978 RRT the Railway Rates Tribunal has struck down the adoption of an all India average of engine hour costs and the addition of the 10% profit. According to the judgement the correct engine hour cost for adoption was the Zonal Railway cost which in the case heard and adjudicated upon was lower than the all India costs, observes the Tribunal in para 15.9 of the judgement. "We therefore consider that it will be reasonable and just to fix the siding charges on the basis of Zonal Cost . . . We are not unmindful of the fact that siding charges so fixed will be higher than the charges now fixed on the basis of All India Cost on certain railways. Such a position is inevitable as siding charges have necessarily to be cost based." The Tribunal has quoted Philip Lockin to point out that the railways need not adjust their rates to neutralise geographical disadvantages. The reading would show that the earlier judgements in deference to which an all India cost was adopted had been delivered where no one argued that the siding charges fixed on the basis of the DSEA formula was already on a Zonal basis. To this observation has it been added that it does not take away the "inherent power of the Tribunal to examine whether the fixation of charges on such a basis is reasonable or not".

44. On the question of the addition of 10% towards profit the Tribunal has interpreted the Supreme Court Judgement which authorised the levy to mean that "the Supreme Court in the Riga Case" made a distinction between shunting charges and siding charge for including an element of profit. According to the judgement of the Tribunal para 14.9 (RRT 1/76) "the decision of the Supreme Court in the Riga case (1967 RRT) has to be interpreted to imply that an element of 10% as profit must be added to the cost of a shunting engine hour only when a shunting engine is made available for use in the private siding at the request of the siding owner on a temporary or casual basis." The Judgement

of the Supreme Court in the Riga Case (Reported in 1967) RRT Contains the following sentence. ". . . we think that in these circumstances there is full justification for increasing the rate chargeable for rendering the service of shunting the wagons from lines 3 and 4 to the yard of the company "The relevance of line 3 and 4 to the yard of the company does not enter the discussions in the Judgement. In any case the distinction made by the Tribunal between the Shunting Charge and the siding charge seems too subtle for commoners reading the written and understanding the spoken language. No further comments are offered in this regard as the Government has gone on appeal to the Supreme Court. The case is sub judice.

45. How far Locklin's views on offsetting natural disadvantages is applicable in the context is debatable, for the complaint here is not that the railway declines to reduce a rate which is charged to the party on account of disadvantageous location. It is on the other hand a plea of exploiting a natural advantage. Independent of the grounds of appeal to the Supreme Court which will decide according to the Law as read by them, there is no reason why the railway should not consider if they want this profit of 10%.

46. In the normal course a siding is considered necessary when an entrepreneur feels he has large quantities of goods to consign by and/or to be received by rail. If there is no siding he would no doubt arrange to cart his goods from or to the railway station but then the railway on its part will be compelled to extend the goods lines, expand the goodshed, create platforms for the operation of loading and unloading and sometimes install a crane to handle the traffic of this magnitude. The railway does save a lot of capital investment which must not only earn interest but also incur depreciation. The saving so effected will far exceed the amount of profit at 10% earned on the siding charges. It is reasonable to suggest that the savings in capital investment and the interest saved thereon and the depreciation not incurred can be shared between the railway and the owner to whom, a part if not the whole of the terminal expenses can be given back as a rebate. This may incidentally result in increased traffic. It may be argued that the railways have stopped levying terminal charges and therefore the question of a rebate will not arise. Here comes the parallel case of the Madras Port Trust Railway. Like all Port Trust Railways, the Madras Port Trust Railway is for all practical purposes a siding or a series of sidings. This railway pointed to the contiguous M & SM Rly. that they render the terminal services which the M & SMR would have rendered at Rayapuram, the station lying close to the Port Railway. Though initially it was resisted by the

railway, the Railway Board conceded the claim of the Port Railway. The Southern Railway now continues payment of the terminal charges worked out separately after the levy of terminal charges was given up from October 1958, and what is now paid to the Port Trust Railway can be paid as rebate to the siding owners.

47. It may now be considered if the method of the levy of the siding charges can be further simplified. At the outset it must be acknowledged that for the first time a constant factor has been introduced with the calculation of siding charges viz. the time taken by the engine inside each siding and to this can be applied the variations periodically in the cost per engine hour. It may now be examined if the constant will remain constant and if it has removed irritants from the procedure all round. The constant factor which is the average time fixed for each siding can vary with the increase or decrease of the traffic handled at the siding. When conditions of train operation become erratic, it can happen that what should be done in one trip will be done in more trips, each trip incurring a siding charge which will inflate the costs of the owner. In fact in a recent ruling, the railways are required to levy the siding charges even when empties are placed in the siding and the engine was returned. Some of the stations not understanding the instructions failed to collect the siding charges and the Chief Auditor has issued a Draft Para. It cannot, therefore, be taken for granted that the irritants have been removed for ever when each siding was given a duration for which engine hour costs as siding charges can be collected.

48. A scheme of charges drawn up therefore must ensure that the owner bears no more than he does at present on each wagon for the wagon is the unit of service. It must also be borne in mind that the railways collect annually about 4½ crores of rupees under the head of siding charges which being just the cost of the service done admits of no infraction.

49. An exercise was undertaken by the committee to correlate the number of wagons dealt with in each siding and the length of the siding. A low rate of Rs. 1 per wagon per km over the siding was adopted for siding handling over 100 wagons per day. At the other end a rate of Rs. 15 per wagon per km was adopted for sidings dealing with less than 10 wagons per day. At the rates proposed the earnings worked out to nearly what is earned at present. The proposal on closer examination showed that in some siding which were selected at random, the rate per wagon very sharply fell or very steeply increased—in one case by 120 kms. As the increase or decrease in the rate per wagon is not just marginal protests from the owners are certain and the Rates Tribunal is certain to strike down the rates.

50. Another exercise was undertaken, again to correlate the length of the siding and the number of wagons. Here the sidings were grouped according to the length such as upto 200 metres, 201 m to 1 km, 1 km to 2 km, 2 km to 3 km, 3 km to 4 km, 4 km to 5 km and over 5 km. It was examined how many wagons were received in these sidings at 5 wagons, 6 to 10 wagons, 11—20, 21—40, 41—50, 51—80, 81—100 and over hundred. It was noticed that the heaviest concentration took place in the 201 m—1 km group. The distribution showed the following:

	of Wagons% of total	of earnings % of
Upto 20 km.	3.6	3.3
201 km. to 1 km.	33.7	30.6
1 km. to 2 km.	16.7	20.1
2 km. to 3 km.	6.7	6.3
3 km. to 4 km.	5.6	7.6
4 km. to 5 km.	5.2	5.0
Over 5 kms.	28.3	27.0
Total	99.9	99.9

51. It is seen that the %age of the traffic in terms of wagons and the % of earning for each distance group are nearly the same in all cases but one. As the smallest sidings will account for the smallest shunting hours normally, a low rate was proposed taking the 201 m—1 km. as the base for arriving at the rate the following calculations were made. (For all the group together)

- (1) The total earnings were divided by Rs. 200 to arrive at the engine hours. This works out to 2,23,796.
- (2) The mean cost of engine hour (Shunting and train) was taken at Rs. 200.
- (3) Total number of wagons 2,594,594.
- (4) No. of wagons per engine hour $2,594,594 \div 2,23,796 = 11.6$.
- (5) For 11.6 wagons Rs. 200.
- (6) For 1 wagon $200 \div 11.6 = \text{Rs. } 17.24$.
- (7) The running time for 1 km @ 8 kms per hour (assumed) = $7\frac{1}{2}$ minutes.
- (8) The engine hour cost for $7\frac{1}{2}$ for one wagon $\text{Rs. } 17.24 \div 8 = \text{Rs. } 2.15$.
- (9) Round off to the next higher rupee the rate per wagon Rs. 18.

52. Item 9 was applied to 201 m to 1 km. group for all densities of traffic. As smaller sidings deserve a lower rate it was pitched at Rs. 15 for the other (higher) length groups the rate was pitched as under—Rs. 20 for 1 km-2 km.

Rs. 22 for 2 Km-3 Km, Rs. 23 for 3-4 Km, Rs. 24 for 4-5 kms and Rs. 25 for over 5 kms. The earnings totalled Rs. 5.47 crores. The additional income worked out can be worked back to reduce the incidence on sidings which handle larger number of wagons.

53. This method is also not free from defects though it gives a more equitable rate than the one calculated on the per wagon per km basis. The first defect is that the engine hour cost is assumed (as mean of the train engine cost and the shunting engine cost). The running time is assumed at 8 Kms per hour. Though this would be justified by the earlier practice in the ex EIR, the fact that it is assumed deprives it of its authority. Again when the per wagon average paid at present is more in some or less in others than the proposed rate and this variation would be resented in some quarters though the volume of protest will be much less.

54. Thus every scheme of rating contemplated contains an element of defect and it is worth while to see how the defects crops in. A spot study of a few selected sidings was made and the study showed the following results.

Name of the Siding	Length	No. of wagons dealt	Amount of siding charges	Average per wagon
	Kms		Rs.	Rs.
1. India Cement Siding (Sankaridrug)	6	1,631	29,000	17.78
2. FACT siding (Kalamassory).	½	500	6,912	13.82
3. ACCI Siding (Madukarai).	1	1,232	22,839	18.54
4. SPB Siding (Cauvery).	1	293	9,135	31.17

55. It may be seen that with the difference in length, items 1 & 3 pay nearly the same rate per wagon but item (2) which is half as long as item 3 and dealing with less than half the number of wagons pays only about 75% of what item (3) pays. Item 4 is a class of its own dealing with fewer wagons than the rest. Further discussions in this regard with the Divisional offices and officers in HQ office show that what creates the difference materially is the work done by the engine after it reaches the point of exchange. This point of exchange marked 'X' in the plans prepared by the railway when siding owners want the railway to place the wagons in the siding is the spot upto which the railway normally hauls the wagons and tell the owner that beyond in his business to place the wagons. When the owner

specially requests the railway to berth wagons in nominated places beyond, the owner is asked to pay for this service also at the rates quoted for conveyance upto the exchange point. Some owners have locomotives which do duty beyond this point while most others do the work by pushing the wagons with human labour (hand shunting). As the service beyond the X point is rendered in some cases and not rendered in others, the duration ceases to be uniform and charges naturally vary. This feature of operation leaves no uniform trend to identify and adopt for a standard siding charge with the wagon as the unit. The railways will do well to prescribe on the basis of distance from the serving station to the point X a siding charge calculated on a basis that will ensure a reasonable requittal for the service rendered without materially infracting the earnings at the present rates. It would reasonably be a rate based on the weight of the goods conveyed for the distance hauled over the siding upto the X point. When charging for the actual weight is adopted, it will admit of charging also on the basis of the class of goods conveyed as in the case of freight. By charging on the basis of weight, the anomaly in the present charging for trips made for hauling only empty XX wagons will disappear and more direct nexus established between service and charge. By applying the class also with weight and distances, what low rated goods fail to pay, will be paid by high rated goods manufactured by the siding owners.

56. The difference between the siding charge (upto point X) and the shunting charge should be kept clearly defined. While the siding charge admits of inclusion in the Rail Receipt indeed it should be insisted upon the placement charge should be a local charge notified to the station concerned and collected locally.

57. As the siding is a separate and special facility, it should be separate charge apart from freight. The charges should be calculated separately from the serving station upto which freight is due and collected separately i.e. after discontinuing the distance upto the serving station.

58. In the back ground of the present day railway operation, it is true that the wagon must remain the unit of charge for the service of placement of wagons in sidings. It may be remembered here that when the wagon is made the unit of charge, it is replacing the bigger unit of a group of wagons placed at a time in the siding. If simplification is the end sought, it is necessary that the lower unit of charge viz. the quintal which is already the unit of charge for the levy of freight, may also be thought of.

59. At the outset it may be mentioned that over the Eastern Railway, the length of the siding is added to the distance for charge and the rate

per quintal applied in respect of outward *Coal* booking and again it is a per quintal rate that is applied to the calculated siding charges for inward bookings, the rate being applied according to the length of the siding. The practice in vogue over the remaining railways is to base the siding charges on the time spent by the engine to place and/or remove wagons from the sidings. The owners have been disputing that the time worked out is faulty and they are mulcted to pay more charges than are justified for the service. Another source of complaint from the owners is that they are made to pay for each instalment of placement or removal of wagons though all placements in a day could be done in one entry of the engine into the siding. If a per quintal rate is levied for the separate service in the siding *in addition* to the freight charges upto the serving station a lot of friction between owners and the railway can be avoided. In the first place, there will be uniformity in the levy of the charges all over the country and this can help invoicing of charges at the booking station itself right upto the point of exchange in the siding only if the length of the siding is notified by the railways. Secondly, the charges can automatically go up when due to escalation of the cost of operation freight rates are introduced. Thirdly, the owner knows that as he consigns or receives goods, he pays for the service according to the capacity of the traffic. Fourthly, in the case of traffic which pay lower freights, the incidence of the siding charge will not be disproportionate to the freight charges. This will be an incentive for entrepreneurs to get siding facilities which would reduce capital investment by the railway to expand terminal facilities.

60. An exercise was, therefore, undertaken to see how much more or less siding owners would have to pay when siding charges are levied on the basis of the chargeable weight at the classification rate for the length of the siding. Ten sidings over different Railways were chosen for a comparative study of the earnings that accrue at present and what would accrue on the basis of the proposal made. The siding earnings on the present basis and on the basis of the proposal made are shown in Sub-Annexure 1.

61. If, however, the overall picture is considered by applying the proposed Class 100 rate of 23.5 paise per tonne Kilometre, it will be seen that the return per wagon placed in or removed from siding does not materially vary. The earnings under siding charges during 1976-77 was Rs. 4,43,97,984 from 25,94,594 wagons or Rs. 17.11 per wagon. The service in sidings incurred 12,750,123 wagons kms. or the average lead per wagon was 4.91 kms. If each wagon is estimated to contain 20 tonnes, a wagon in sidings would incur 98.2 tonne Kms. At the average rate

of 23.5 paise per tonne per km at the basic Class 100, the average wagon return would work out to Rs. 23.08 which is more than the average wagon return applying the engine hour cost worked out at page 13 which is Rs. 17.24. Though for the purpose of the calculation, an average rate at class 100 has been assumed, even if for the actual commodities carried, the rates are slightly lower, it will be seen that earnings at the proposed rates will be, by and large, at the level of the present earnings. It is, therefore, suggested that calculation of siding charges for the distance over the sidings at the rates applicable to the commodity per quintal on a discontinuous kilometrage basis may be considered.

62. Now remains the question of siding charges for collieries which have special features mainly on account of history.

63. It may be pointed out that siding charges are levied on a per wagon basis over Central Railway, S. C. Rly. and the Central Indian Collieries of S. E. Railway the case where of can be included in the discussions on general sidings made already.

64. The Colliery sidings in S. E. Railway and E. Rly. laid in the Jharia and Raniganj Coal fields pay no siding charges practically now. The coal mines had a market in Calcutta where-into both the railways entered. Coal had a lower schedule of rates than for general merchandise and at the then prevailing low price of coal, the railways could not quote a rate that will put up the price palpable. The Collieries in then E.I. Railway (Present E. Railway) had a nearer location to Calcutta than those on the then B. N. Railway (present S. E. Railway). The shorter distance had a rate advantage and the B. N. Railway which had a longer distance to haul, to retain the traffic produced in their area, quoted rates equal to those charged by the E.I. Railway. As the return per ton mile was lower for the B. N. Railway, they could not improve the burden of a siding charge on the traffic. They levied siding charges for the distance of haul over the siding and the E. I. Railway in self interest followed suit. These railways added the distance of the haul over the siding to the haul from the serving station thus integrating the siding charge with the freight charge. In years prior to 1948 when telescopic rates were introduced, the rates were flat and this ensured some recompense for the terminal service in the siding. When telescopic rates were introduced from 1948, in most cases, the small distance of the siding got lost inside blocks of 50 kms. for longer hauls and no siding charges accrued. It was not considered in earlier revision to undo what was a fact of history.

65. With the progressive industrialisation of the country, the demand for coal increased. Production increase to meet the demand but with the increase in production the quality of coal in some mines declined. To improve the quality by removal of impurities etc. Washeries have been established near the collieries. The mined coal is taken to the washeries and the washed coal is taken to the consuming centre. For the movement of the Coal from the Collieries to the Washeries, freight is charged for minimum distance of 40 kms. A siding charge is also levied in addition. Protests have been received that the lead between the mines and the washeries is much smaller than 40 kms. and to demand freight and a siding charge for 40 kms. is out of all proportion to the service rendered by the railway. There is some merit in this protest. It was found on enquiry that the wagons (Loaded) going to the washeries are dealt with in the siding are removed by the engines of the washeries and the Railway staff who work in the sorting lines of the washeries are paid for by the washeries. The case for a siding charge thus becomes slight. It is, therefore, considered that due to the special conditions prevailing in the washery, sidings, a separate siding charge in addition to the freight charged for from the collieries is not necessary.

66. A customer of the Railway can bring his goods to a goods station, book them and go back taking the railway receipt or produce a receipt and take delivery of his goods either secured by the railway in the goodshed or kept from in a wagon waiting for him. In the case of goods consigned at or due for delivery in the siding, the conveyance from the station would always call for the use of a wagon which in the case of traffic handled at the goods stations can be emptied by the railways and utilised. In other words irrespective of the weight of goods the utilisation of a wagon is inevitable and the wagon is available again to the railway only after the owner of the siding has given it back to the railway. As a corollary, irrespective of the conditions of booking the loading and off loading operations have to be performed by the owners.

67. At the railway stations the customers are given reasonable time within which the wagon should be returned for further use by the railway. This is called the free time. A siding is attached to a nearby railway station upto which or from which freight rates will be calculated and the free time allowed to customers at the station is ordinarily the free time allowed to the owner of the siding for the wagons dealt with in the siding. when customers at the station are unable to return the wagon to the railway after loading or unloading as the case may be, a penalty is levied which is called demurrage. The siding owner who fails to return the wagon to

the railway is liable to pay demurrage after the lapse of the free time on the same terms as the customer at the station. The demurrage is levied at a rate per hour per tonne of the carrying capacity of the wagon. These conditions are included in the agreement which the owner executes with the railway.

68. The demand for demurrage on defaulting owners have always been the subject matter of dispute between the owners and the railway. Any convenient situation is capitalised by the owners to disown liability and being in the nature of a penalty which can be condoned by the railway, to continue the good will of the customer who owners the siding large sums have been waived by them. To obviate foreseeable points of dispute in this connection, a system of operation is introduced by the railway which is called the Pilot to Pilot system. This system assumes that there will be sufficient number of wagons every day and engine available at certain given hours of the day to take the wagons from and to the siding. The main advantage, for the owner under the system is that if an engine calls on his siding after the lapse of the free time—which is now 5 hours—and the wagons placed by the immediately preceding pilot are ready for removal not demurrage accrues. If the engine goes earlier than the lapse of 5 hours, but the wagons placed by the preceding pilot are not ready for removal, then too no demurrage accrues. If on the other hand the engine calls on the siding after the lapse of the free time but the wagons are not ready for removal, the wagons will incur demurrage from the time of the placement upto the time an engine comes again, the free time benefit of course being allowed.

69. This system is equitable to the owners and is encouraged by the railway. It has however some practical difficulties inherent therein. The main difficulty is that the railway should keep its time schedule—that is the pilot should be run at a nominated hour. By then the wagons due for placement must have arrived and engine must be available. If the time schedule cannot be adhered to or less supply of wagon made the labour kept by the owner would be idling and probably dispersed to comfortable places waiting for the pilot to come. When the pilot does arrive late, precious time would be lost in collecting the labourers together for the work. In some cases pilots would reach having little margin between its arrival and closure of the factory gates for the day for security reasons. In some cases the owners will not allow the wagons to be opened late in the day when they can foresee the risk of off loaded materials or goods waiting to be loaded left without proper care in their yards, getting stolen. In such cases the unloading or loading operations commence only when the factory opens the next day but the free time is

counted from the time the pilot reached the siding. There are also instances in which the owners hope that the next pilot would come the next day or late in the day and deal with the wagons in a leisurely way. When they find a pilot steaming in just after the lapse of the free time they plead all kinds of excuses the content of which will be some fault of the railway or other. The pilot system though essentially equitable to both sides has not thus solved all problems.

70. The problems mount when to meet the demands of traffic the railway runs more than one pilot. For sidings handling 50 or more wagons the wagons reach the siding in successive pilots with a head way of 2 hours or less or in long intervals. As demurrage is calculated on each wagon by its painted number what arrived by the first pilot of the day should be ready for removal when the third or fourth pilot arrives. The arrival of successive pilots can disturb the work in progress with the wagons which arrived earlier and the owner finds that he has lost a lot of time in restoring order in the work, allowing the wagons to incur demurrage. In some cases, labour would idle when for long hours no pilots are run. The owner may be able to make up all his lost time after the last pilot has visited the siding and perhaps, before the free time for wagons which arrived by the last pilot has elapsed he would be able to return not only those wagons but all those that came by earlier pilots. This is a state of affairs that works to the disadvantage of the owner. To minimise the disadvantage save palliatives like bunching allowance are tried but the causes of irritation still persist and large sums under demurrage disputed by the owners are outstanding in the Railway's books.

71. The problems created by the irregular running of pilots can be understood if conditions in a cement factory noticed some time ago in Southern Railway are explained. This factory produces cement every day enough to load into about 100 wagons. The factory works round the clock and the processes from feeding of raw materials to packing into gunny bags of the produced cement is continuous. The railway arranges empties for loading, from different directions at different hours of the day. A pilot or two comes in the morning with a few wagons—say 10 or 15 and loading commences. No pilot would again be sighted for another 8 hours. The wagons placed in the morning would be ready in 2 or 3 hours after placement with cement loaded. The labour then idles. Suddenly one or two trains arrive with about 70 empties and the whole lot is required to be loaded within the free time with a reminder to the factory owner that failure to load within the free time would invite demurrage charges. The impossible is not done, demurrage is raised and the owner protests. The amount is

kept in outstanding in the station books. It is true that the railway strove hard to collect empties and it is natural that the Operating Supdt. of the Division would like to get all the wagons loaded during the day so that his turn round time will go down but when he expects the impossible to load about 70 wagons in 5 hours—he is being cavalier in his attitude. It will be reasonable for the railway to remember that the rules which they enforce are drafted in the back ground of normal conditions and they lose the sense of equity they breathe when they are enforced in abnormal conditions.

72. The pilot to pilot system can work satisfactorily if the number of wagons meant for the siding is not so large as to warrant running of more than two pilots at intervals of six hours each day; and the operating conditions in the main line should admit of engines being available to work the pilots at nominated hours each day. When more pilots than two are warranted by the volume of traffic or the operating conditions in the railway, the system will project all defects inherent therein—disputes and bickerings becoming a regular feature. A workable system has to be thought of to eliminate all irritants.

73. The factories served by sidings which handle 50 or more wagons work round the clock. Some if not many of them have their own locomotives, which makes it possible for them to return wagons as and when they are ready to be handed over to the railway. They may be permitted to return as many as they can in batches during the day irrespective of the sequence in which they entered the siding. A total of wagons so handed over upto zero hour next day may be balanced with the number handed over during the day and any short fall charged demurrage for 24 hours which can be worked out either for the earning capacity of a wagon per day or at the average carrying capacity of the wagon of the gauge multiplied by the usual rate for charging demurrage per hour, per tonne. This scheme can project two main difficulties:—

- (1) How does the party get the free time?
- (2) Cannot the party substitute one type of wagon say 'open' for another say 'covered' and make up the number?

To surmount the first difficulty, the railway may allow wagons handed over after 19 hours to be treated as if they were handed over the next day.

For the second difficulty the railway staff may record under acknowledgement by the owner's staff, the number of wagons in each type handed over and the balancing should be done not for the total number but for the total under each type. If return of special type of wagons such as

BFU, BRH, Tanks i.e., is desired by the railway in less than 24 hours, this may be stipulated in the agreement for levy of demurrage in case of default. It is likely there will be slight loss under demurrage when an average carrying capacity is adopted for calculating demurrage but the loss is more than made up by the saving in clerical labour and retention of good will.

74. The issue of demurrage in sidings gets more complex with the increased number of wagons handled at such levels as about 200 or more as in the Steel Mills. A study was made at the TISCO in Tatanagar for the purpose.

75. This is a private siding. The owners pay no siding charges as they own their own locomotives for duty inside the siding. They get the raw materials by rail and consign iron and steel in different stages of manufacture to all over India. The import consists mainly of ore, dolomite & Coal in large quantities besides others in smaller volume. The export is mostly items that are placed in the Goods Tariff under Iron and Steel Division B. About 200 wagons arrive the siding and a large part of them go back loaded with the product of the Steel Works. Where special type of wagons such as BFRs are required for consigning their goods empties are supplied.

76. The Steel Works is a vast complex with railway lines extended to reach almost every corner. The raw materials are required in shops which lie far apart. When in coming wagons are emptied, they have to be taken to loading points which are far away. In some cases such as dolomite consignments, the traffic is carried in wagons of set rakes of KO type wagons moving in close circuit between the mines and the works. Coal received in train loads of BOX wagons which can be utilised for back loading of course at points far away from the unloading points. Thus, there is a miniature railway zone dealing with movement of wagons and the number handled is more or less equal to a zonal railway's interchange with the adjoining railway at one junction.

77. On account of the magnitude of the work the 'free time' allowed for the owners is much higher than what it is in other sidings handling wagons of general merchandise.

78. For calculating demurrage in conventional procedure of working out the difference between the return time and placement time for each wagon is followed with a slight difference that when wagons are returned before the expiry of the free time credit is afforded to the works for the time not availed of, of the free time. This is a modified version of the credit which the

Port Trust Railway gets when the total free time for a month is calculated on the total number wagons interchanged during the month and this is reasonable for a customer who receives and sends wagons in large number. As each wagon is separately accounted for the clerical labour is high. The wagons arrive with no regularity and the loco have to be frequently diverted to deal with wagons that arrive later, when the work on hand is not yet completed. To obviate situations created by bunching of wagons which lead to delayed returns to the railway, the railways may think of a system of daily balances for the different types of wagons such as KO, KC, BOX, BKC & C. The essence of the system has been explained earlier in the report. The variation called for in the case of Steel Mills and other industries which handle very large number of wagons is to allow wagons in the siding for as many days as the free time would allow. The number of days during which the wagons will remain free of demurrage should be decided upon by mutual agreement between the works and the railway. The daily receipts i.e., loads to be returned as empty, loads which can be utilised for loading after release of the contents and empties supplied for loading purpose multiplied by the number of days of free time agreed upon mutually in each type of wagons—will be the number of wagons which can stay in the siding free of demurrage charges. Extraordinary situations which can cause detention beyond the normal period agreed upon, should be reported by the works at once but not when demurrage bills are presented. When it is thus arranged, the daily return to the railway should be equal to the daily receipts. For example if before zero hour on 1-1-80 the intake is 200 wagons in terms of 4 wheelers, the return before zero hour on 2-1-80 should be 200. The demurrage charge should be based on the average earning capacity of a 4 wheeler per day or at the rate per tonne per hour multiplied by 24(hours) and then by the carrying capacity of a 4 wheeler which may be fixed at 22 tonne for BG and 18 tonnes for MG. The accounts hereon should however be prepared for each month so that the additional number made over under obligation of the arrangement on some days may cancel the shortfall on other day.

79. The proposal is based on the procedure of payment of hire by zonal railways which fail to hand over to the neighbouring railway as many wagons as it had taken over during a day. In the case of the railway, the stock owned by it is determined by the number of wagons normally loaded multiplied by its turn round time. In the proposal made, the turn round time is replaced by the time the works would take to return a wagon to the railway after off loading and/or loading to determine the number of wagons which can stay free of demurrage in the siding.

80. These proposals need not be restricted to Steel factories but to all other factories where the number of wagons handled exceeds 100 per day. In fact a beginning in this direction is seen to have been made by the S. E. Rly. at the Bhojudih Washery where a per wagon per day 'basis' of demurrage at Rs. 50 per 4 wheeler per day is applicable. There, as long as a full load of 65 ordinary empties are offered by the Washery on the post tippler lines, irrespective of whether the empties relate to the same rake or not, no demurrage charge is leviable.

81. Disputes and bickerings arise not because the agreement is worded vaguely but because the clauses relating to payment of charges and the subsequent conditions stipulating the terms on which the siding will continue to operate are out of tune with the changed conditions.

82. Clause 8(b) of the form of agreement in use over Central Railway provides for the railway closing the siding or acquiring it for conveyance of public traffic. This clause appears with minor variations esp: re: the period of the notice, in the agreement forms adopted by the other railways as well. If under this clause the railway takes over the siding, the compensation proposed is the value of the materials less depreciation. Another clause lays down that depreciation is calculated @ 5% per annum and that if the siding is 20 years old, the siding will be valued as of no value. Two points merit consideration in this regard. First, the owner pays repairs and maintenance charges annually the purpose of which is to keep the siding in the same condition as it was when it was opened. Where the fittings are worn out or damaged, they are replaced at the cost of the owner. The conditions in the main line of the railway is similar but there the value adopted is not the depreciated value but the book value. Secondly, for purposes of calculating the repairs and maintenance charges, the agreement lays down that the railway claims it at the present day market value or book value whichever is higher. If the condition is good for claiming repairs and maintenance charges, it must be equally good for purposes of compensation. Of course, the clause must be deemed reasonable if the siding is abandoned or dismantled as the railway will find no use for the earth work and formation. It is in this background that the question of compensation for sidings acquired for conveying public traffic and the acquisition of the siding itself has to be considered. A typical case that came to notice recently may be explained in this context.

83. The Cochin Refineries had got a siding (BG) constructed from the yard of Ernakulam Town station to their factory about 15 kms away. The siding ran South-Southeast and entered a yard of their own at a place called Irimpanam.

From the Irimpanam yard a line was taken to the refinery where the refined petroleum products were loaded.

84. A little later the Fertilisers and Chemicals Travancore (Ltd.)—FACT for short—opened their factory in the vicinity. With the consent of the Refineries, they got a line constructed to their factory premises from the Irimpanam yard. They paid the cost but rather heavily at 50% though according to the agreement, the cost of construction and the cost of operation are subjects for the Railway's decision. There is no dispute on this issue which in this context is beside the point.

85. After the siding was opened, the Ernakulam (Jn.)-Quilon-Trivandrum section was converted from MG to BG. The Railway foresaw that with the arrival of BG wagons from both sides, Ernakulam Junction would get congested and therefore a marshalling yard, which could handle wagons for Ernakulam Jn. (Goods), Ernakulam (Old) goods station, Cochin Hr. Terminus and stations in the Quilon-Ernakulam sections, was laid. This yard was laid just north of the railway line in the Ernakulam-Quilon section between Ernakulam Jn. and Tripunithura, the next station. Goods trains avoided Ernakulam Jn. by running on the siding of the Refineries upto Cabin West and then Cabin East between Ernakulam Jn. and Tripunithura, while coming from the North (Shoranur side). While coming from Cochin Hr. Terminus, the goods trains passed Ernakulam Jn. and the West to East Cabins to enter the goods marshalling yard. While coming from Quilon side the goods trains could enter the yard through the east Cabin. There the line laid at the cost of the Refineries and shared by FACT is utilised by the railway for the general (Public) traffic in the portion between Ernakulam Town and the West Cabin. The small section between the West Cabin and East Cabin, was also part of the siding but this is now part of the main line between Ernakulam and Quilon.

86. It is true that under one of the clauses of the agreement the railway is free to use the siding without payment of charges but it is doubtful if in a case of this nature where the siding becomes a regular running line, this clause will operate to the benefit of the railway. The clause may provide protection to the railway only when the siding is availed of on infrequent occasions. In fact there is the other clause in the agreement which calls upon the railway to issue a notice to the owner of its intention to acquire the line and offer the compensation due. This has not been done and the owners the Cochin Refineries and the FACT pay siding charges as if the goods are conveyed from Ernakulam Town station. When the section from Ernakulam Town to the East Cabin has become regular running lines for

the railways public traffic, the railways are entitled only to freight upto the newly created Marshalling Yard and siding charges thereafter

87. It may be argued now by the railway that Ernakulam Marshalling Yard is not yet declared as a station and shown in the Alphabetical List of Stations published by IRCA and that for want of an approach road, the Marshalling yard cannot be called a goods station. The present 'serving' Ernakulam Town is not a goods station and if that is so there is no reason why the Goods Marshalling Yard not open for goods traffic can not be declared the serving station. It is true that there is a condition in the agreement that if for any reason wagons cannot be take into or from the siding, the owners must deal with their traffic at the serving station. Apart from the fact that this condition cannot be enforced by the railway with the present serving station not open for traffic there is no reason why the marshalling yard should be denied goods booking facilities by providing an approach road when the present terminals in the area are getting more & more congested. Till this is done, the agreement may be suitably qualified through a rider agreement to provide for the owners offering or effecting

delivery of their goods at Ernakulam (old) Goods station. Therefore the present form of the agreement which provides no safeguards for the owner when the railway continuously and intensely utilises the siding for its own purposes, should be suitably altered.

88. The representations made to the Committee by owners of sidings mostly relate to the high incidence of the repairs and maintenance charges and a few of them to the siding charges and demurrage. The observations in the immediately preceding part of this report being relevant only when the question of closing down the sidings arises, no representations have been received.

89. A siding is advantageous to the owner who saves so much on carting his goods from the railway station while the railway saves in the matter of capital investment to expand terminal facilities at stations. The siding is a link not only of the railway line but of a cordial relationship that must exist between the owners and the railway. This cardinal principle must be born in mind by both the parties while drafting clauses for the agreement and enforcing them.

SUB-ANNEXURE-1

Statement showing earnings from Siding Charges when charged on a per quintal basis compared to the present method of levy.

S. No.	Name of Siding and Railway	Length of Sdg. (kms.)	Traffic handled 76-77		Siding Charges now earned	Siding charges anticipated at the rates proposed to be levied		
			Commodity	Tonnes		Rate per tonne per kms.	Tonne kms.	Earnings
					Rs.	Paise		Rs.
1.	New Standard Engine Siding WR	1	Iron & Steel 'B'	28,197	34,327	42-30	28,197	11,927
2.	Foodgrains Godown Siding Khandivli. WR	4	Foodgrains	1,85,400	67,600	17-63	7,41,600	1,30,744
3.	IOC Siding Vasai Road WR	4	Kerosene oil/Diesel	1,63,020	71,024	35-25	6,52,080	2,20,858
4.	Sri Khedut Sahakari Kahan-dudys Sahakari Mandal, Bardoli. WR	1	Sugar	14,602	2,989	28-20	14,602	4,118
5.	Andhra Cement Vijayavada SCR	2	Lime Stone & Cement	21,720	2,06,821	25-85	5,21,280	1,34,751
6.	Food Corpn., Cochin Hr. Terminus. SR	1	Foodgrains	96,935	76,887	17-63	96,935	17,000
7.	IOC -do-	1	Kerosene oil/Diesel	8,600	8,130	35-25	8,600	3,032
8.	India Cement Sankari-drug. SR	3	Cement Coal	3,34,001 } 1,48,778 }	2,78,987	25-85 18-80	10,02,003 4,40,334	2,59,018 82,783 3,41,801
9.	Indian Iron & Steel WR	1	Iron & Steel	43,758	91,723	42-30	43,758	18,510
10.	Tata Iron & Steel TKD NR	3	Iron & Steel	23,100	31,922	42-30	60,300	29,314

ANNEXURE 7.1

JUSTIFICATION FURNISHED BY COAL INDIA LTD., CALCUTTA FOR INCREASING THE FREIGHT REBATE OF 10 PAISE PER TONNE IN CASES WHERE WEIGHBRIDGES HAVE BEEN INSTALLED BY COAL INDIA LIMITED.

The installation of a weigh-bridge at the colliery involves—(a) Capital cost of the weigh-bridge, (b) the cost of installation including construction of base platform, and other cement and steel structures, (c) in terms of weighbridge agreement, maintenance of the weighbridges also devolves on the colliery, (d) similarly the cost of Railway staff employed for the weighbridge which also includes housing, electricity, water and other facilities also devotes on the colliery, (e) apart from the above, account has to be taken for the interest on capital and as well as depreciations.

The approximate costing has been worked as under :—

- (i) Capital cost of 100 tonne weigh-bridge—Rs. 4,80,000(Aprox.).
- (ii) Cost of erection, structure etc.—Rs. 20,000.
- (iii) Cost of maintenance, repairs etc., per annum @ 5% of capital cost—Rs. 25,000.

(iv) Cost of Railway staff and their amenities per annum—Rs. 1,00,000.

(v) Interest on capital @ 15% p.a.—Rs. 75,000.

(vi) Depreciation on capital @ 15% p.a.—Rs. 75,000.

Thus, the total recurring cost on a 100 tonne weighbridge works out to items (iii), (iv), (v) & (vi) Rs. 2,75,000 per annum. The present strength of 100 tonnes weighbridge in CIL is 40. We may assume that about 30 million tonnes of coal are being weighed per annum at these weighbridges after accounting for weighment at railway weighbridges. It works out to 0.75 million tonnes per weighbridge per year. Against a recurring expense of Rs. 2,75,000 per year, it comes to 36 paise per tonne per weighbridge.

On the above basis, there is a strong case for a substantial upward revision of the existing weighbridge rebate of only 10 paise/tonne.

ANNEXURE 7.2

COPY OF MINISTRY OF RAILWAYS (RAILWAY BOARD'S) LETTER NO. TC-I/75/5/24 DATED 3-2-1977 ADDRESSED TO THE GENERAL MANAGERS, ALL INDIAN RAILWAYS.

Subject:—Opening of Out-agencies.

It is observed that inspite of directives issued from time to time liberalising the policy to be followed in the opening of Out-agencies, the progress achieved in this regard is not encouraging.

In the context of present day economic activities on account of expansion of banking facilities by the Nationalised Banks in the countryside and strengthening of rural economy, there is need to provide more and more booking facilities.

In providing adequate transport facilities to interior areas, Out-agencies have a large part to play. While it may not be possible to lay new Railway lines to connect all interior areas, opening of Out-agencies will give transport facilities similar to that of stations particularly to small traders and passengers, because they will be able to get direct booking facilities at the out-agencies instead of having to go to Railway Stations which are normally far away.

Further Parliamentary Committees like the Estimates Committee have also been advised that

opening of Out-agencies is another scheme to bring the interior of the country within the ambit of the railway booking, providing transportation service from the interior which is treated for all purposes as a station and consignments booked are brought to the rail-head from these places.

The Out-agency will act as a feeder service to the Railways and will also ensure that the traffic is retained by the Railways. Attention is invited to Board's letter No. TCIV/58/5/11/Policy dated 5-11-58, in which certain guidelines have been indicated. It would appear, however, that Out-agencies are not being opened liberally keeping in view certain guidelines issued in 1962.

In supersession of instructions given in Board's letter No TCIV/62/5/9 dated 15-12-1962, the Railway Ministry desire that Out-agencies should be opened liberally in order to provide booking facilities to the trade and travelling public.

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Please acknowledge receipt.

ANNEXURE 8.1

LIST OF OFFICIALS WHO SERVED IN THE SECRETARIAT OF RAIL TARIFF ENQUIRY COMMITTEE

Serial No.	Name	Designation	Serial No.	Name	Designation
1	Shri Vinod Pal	Secretary	28	Shri S. Raman	Technical Assistant from 15-2-80
2	Shri Kulbir Singh	Joint Director	29	Shri P. C. Nautiyal	"
3	Shri N. P. Srivastava	" upto 31-1-79	30	Shri Harkirat Singh	"
4	Shri S. N. Trivedi	" from 1-2-79	31	Shri K. Venkatakrisnan	"
5	Shri N. K. Chandekar	D. Economic Adviser	32	Shri G. S. Negi	"
6	Shri D. K. Saran	Deputy Director	33	Shri R. L. Goel	"
7	Shri C. P. Chandrasekaran.	"	34	Shri K.S.R. Krishna Sarma	Assistant
8	Dr. (Mrs.) Stuti Lal	Asstt. Director	35	Shri M. V. Srinivasan	"
9	Shri Ajit Singh	Private Secretary	36	Shri T. L. Loomba	"
10	Shri B. K. Bhatia	"	37	Shri H. S. Sharma	"
11	Shri R. N. Sarna	"	38	Shri K. V. Dhandapani	P. A.
12	Shri V. A. Ramachandran.	Section Officer	39	Shri K. N. Sivaramakrishnan.	"
13	Shri S. Rangamannan	"	40	Shri V. Thyagarajan	"
14	Shri R. K. Sekhri	Senior P. A.	41	Shri K. L. Ahuja	"
15	Shri M. Subrahmanyam	Commercial Inspector	42	Shri S. R. Bansode	"
16	Shri J. N. Pati	"	43	Shri N. Sivaraman	"
17	Shri G. Venkatasubramanian	" upto 2-2-80	44	Shri S. C. Ahuja	"
18	Shri A. K. Das	"	45	Shri K. S. Gusain	Steno. Grade 'D'
19	Shri Lachman Das	"	46	Shri Naresh Kumar	"
20	Shri Joginder Pal	"	47	Shri R. P. Jindal	"
21	Shri N. R. Bhowmick	" upto 22-11-79	48	Shri G. G. Chatterjee	U.D.C.
22	Shri J. K. Pathak	"	49	Shri S. S. Bawa	L.D.C.
23	Shri J. P. Tyagi	"	50	Shri R. K. Chopra	"
24	Shri G. K. Nair	" upto 15-11-78	51	Shri Vir Sen	"
25	Shri A. K. Ojha	Inspector	52	Shri H. K. Madho Shah Singh.	"
26	Shri A. C. S. Biswas	Technical Assistant	53	Shri S. K. Baveja	"
27	Shri K. B. Singh	" from 23-11-79			

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