EAST COAST RAILWAY

Office of the
Chief Commercial Manager
Bhubaneswar

Commercial Circular No.20(G)/2013 Date.26.02.2013

Sub: **AUTOMOBILE FREIGHT TRAIN OPERATOR (AFTO) SCHEME**

Ministry of Railways has formulated policy on **"AUTOMOBILE FREIGHT TRAIN OPERATOR (AFTO) SCHEME".** The details of the scheme are enclosed herewith. This scheme will come into force with immediate effect.

"AUTOMOBILE FREIGHT TRAIN OPERATOR (AFTO) SCHEME" issued vide FM Circular No.10 of 2010 dated 19.07.2010 {CCM/ECoR's Commercial Circular No.111(G)/2010 dtd.21.07.2010}, stands superceded by this Scheme. This issues with the concurrence of Finance Directorate of Ministry of Railways.

All concerned to note and act accordingly.

Authority: Railway Board's letter No.2010/TC(FM)/25/4 dtd.22.02.2013 {Freight Marketing Circular No.02 of 2013}

Encl: As above

(P.C.Sahu)
Dy.Chief Commercial Manager (FS)

No.CCM/AFTO/375/Pt-I Dt. 26.02.2013

All Station Managers/ Goods Supervisors/Commercial Supervisors /Siding Clerks / Booking Clerk in Charges / Weigh Bridge Clerks / Clerk in Charges .

Copy for information and necessary action to the:-

COM: ECoR.,**SDGM**/ECoR/BBS,**Chairman**/RCT/BBS,**Dy.CVO**/ECoR/BBS, **Dy.COM(FOIS)**/ECoR/BBS **PO/RCT**/BBS, **Audit officer**/BBS. Rates Section /CCM/ECoR/BBS –10 sets **DRM**: KUR,WAT,SBP/ECoR,**Sr.DOM**- WAT,SBP,KUR/ECoR , **Sr.DCM**:KUR,WAT/SBP/ECoR.**Dy.CCO**/ECoR, **FA & CAO/BBS**:E.Co.Rly, **FA&CAO(T)**/ECoR, **Traffic Manager**: Visakhapatnam PortTrust, **Paradeep Port**/ Paradeep.

(P.C.Sahu)
Dy.Chief Commercial Manager (FS)

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

No. 2010/TC(FM)/25/4. **New Delhi, Dt. 22.02.2013**

General Managers,
All Indian Railways.

SUB: AUTOMOBILE FREIGHT TRAIN OPERATOR (AFTO) SCHEME.

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The receipt of this letter may please be acknowledged.

DA : As above.

(Rita Raj)
Director Freight Marketing

No. 2010/TC(FM)/25/4. **New Delhi, Dt. 22.02.2013**

Copy to:
1. FA&CAO, All Indian Railways.
2. DAI (Railways) with 36 spares.

for Financial Commissioner/Railways.

No. 2010/TC(FM)/25/4. **New Delhi, Dt. 22.02.2013**

Copy forwarded for information and necessary action to:

1. Chief Operations Managers, All Indian Railways
2. Chief Commercial Managers, All Indian Railways
3. Chief Mechanical Engineers, All Indian Railways
4. Managing Director, Konkan Railway Corporation, Belapur Bhavan, Plot No. 6, Sector-11, CBD Belapur, Navi Mumbai – 400014.
5. Director General, RDSO, Manak Nagar, Lucknow.
6. Director General, Railway Staff College, Vadodara.
7. Director, Indian Railways Institute of Transport Management (IRITM), Manak Nagar, Lucknow.
8. Managing Director, DFCCIL, Pragati Maidan, New Delhi.

(Rita Raj)
Director Freight Marketing

No. 2008/TC(FM)/25/4 **New Delhi Dt. 22.02.2013**

Copy for information to:

1. CRB, FC, MT, ME, MM, MS, ML and Secretary Railway Board, New Delhi.
2. AM(T), AM(C), Adv.(Rates), Adv.(F), Adv.(Inf.), Adv.(Vig.), EDTT(M), EDTT(S), EDTT(F), ED(PLG.), EDT(PPP), EDF(C), EDV(T), DTT(Cord.), OSD(CRB), OSD(MT) and JDTC(R)/Railway Board.

(Rita Raj)
Director Freight Marketing

AUTOMOBILE FREIGHT TRAIN OPERATOR (AFTO) SCHEME

1.0 GENERAL

At present Indian Railways (IR)'s modal share in transportation of automobile traffic is very meager. Apart from increasing IR's modal share in transportation of automobile traffic, this policy provides an opportunity to logistics service providers and road transporters to invest in wagons and use advantage of rail transport to tie up with end users and market train services to create a win-win situation for railways and themselves. As automobile sector is one of the fastest growing sectors in India, it is imperative that auto carriers of suitable design and higher throughput are inducted in Indian Railway system to facilitate bulk transportation of automobiles from production clusters to consumption centers.

2.0 DEFINITIONS AND ABBREVIATIONS

Definitions and Abbreviations of some of the terms used in this document are as under:

2.1 **"AFTO'** means Automobile Freight Train Operator and refers to the parties who invest in procurement of rakes and arrange traffic for loading/unloading in the Auto Freight Trains (AFT), owned by them after obtaining necessary permission from the MOR under this policy.

2.2 **'AFT'** means Automobile Freight Train, a privately owned train for transportation of automobiles.

2.3 **'End User'** means customers who are producers or consumers of goods transported by rail.

2.4 **'Logistics Service'** means a business of providing one or more services of rail/road/sea/air transport, warehousing, cold chain services, port terminal service, inland container depot, third party or fourth party logistics.

2.5 **Private Terminal**: means a private siding or private freight terminal having facility to handle commodities specified under this scheme.

2.6 **'IR'** means Indian Railways

2.7 **'RA'** means Railway Administration. Implies Zonal Railway Administration

2.8 **'MOR'** means Ministry of Railways, Government of India.

2.9 **'RDSO'** means Research Designs and Standards Organization.

2.10 **'Special Purpose Wagon (SPW)'**means wagons designed for rail transportation of a specific commodity or group of commodities as approved by IR. These wagons include specialized wagons for transportation of automobile traffic. Such wagons will not form a part of wagon pool of IR. The Investor can introduce new designs subject to permissions and clearances from IR as per procedure

2.11 **Wagon Leasing Company (WLC)**: A Leasing Company engaged in the business of procuring railway wagons and making them available to other business entities authorized to deploy such wagons for operation over IR network in accordance with the extant policy of MOR.

3.0 ELIGIBILITY

3.1 Applicant should be

3.1.1 A registered company in India as per Companies Act 1956.

3.1.2 A subsidiary company of the above entity

3.1.3 A Joint venture company or partnership

3.1.4 A public sector entity in the business of logistics

3.2 The applicant should have minimum one year experience in any one of the following fields.

(a) transport and logistics
(b) port and land terminal operations
(c) warehousing
(d) container train operations
(e) manufacturers of automobiles
(f) wagon leasing company

3.3 The company should have a net worth of minimum Rs. 20 crores or an annual turnover of minimum 30 crores as on 31st March of the previous financial year.

3.4 Any company which has been declared sick under Sick Industrial Companies (Special Provision) Act 1985 shall not be eligible to apply under these rules and operate trains either individually or in association with other companies.

3.5 In case the applicant is a subsidiary company, experience and net worth of the holding company, owning more than 50% equity in the subsidiary company, may be reckoned for the purpose of Para 3.2 and 3.3 above. However, in such cases, the applicant company must have more than 25% of the prescribed net worth of Rs.20 crore.

3.6 There shall be no change of control of the AFTO through transfer of direct or indirect legal or beneficial ownership or control of an equity or other

contractual arrangement before the completion of one year from commencement of commercial operations of the AFTO's train pursuant to the Concession Agreement, in which afterwards there may be a Change of Control but that shall be effected only after an approval from the MOR, which may reject such Change of Control from a national security or public interest perspective as will be detailed in the Concession Agreement.

4.0 REGISTRATION FEE AND VALIDITY

4.1 The AFTO selected by the MOR shall have to deposit registration fee of Rs. 5 crores.

4.2 The concession agreement for operation of AFT would be valid for a period of 20 years from the date of commencement of commercial operation of trains by AFTO, extendable till expiry of the codal life of the wagons, based on satisfactory performance of the operator.

4.3 Granting of permission to an AFTO shall not restrict Indian Railways for transportation of such traffic in wagons procured/ arranged by IR under any other scheme or will not give any kind of sole right to the AFTO to run such wagons exclusively and such wagons can be procured and run by other operators also.

5.0 PROCEDURE FOR APPLICATION

5.1 The applicant has to apply to ADV/ED FM with all details for becoming an AFTO. The applicant has to apply for a minimum 3 rakes under this scheme.

5.2 The application fee equivalent to 1% of the registration fee as mentioned under para 4 of policy has to be deposited by the applicant along with the application. In case no approval is given by MOR, the application fee will be refunded within one month of rejection of the proposal.

5.3 The applicant shall furnish following details while submitting the application:

(a) Name of the applicant (firm).
(b) Address of the applicant (firm).
(c) Details of experience and activities of the applicant.
(d) Document in support of the eligibility criteria as per para 3.0
(e) Document in support of net worth/ turnover of the company as on 31st March of the last financial year like audited balance sheet and/or documents duly certified by a Chartered Accountant.
(f) PAN of the applicant
(g) Number of rakes planned.
(h) Type of wagon.
(i) Anticipated traffic volume with identification of possible circuits.

(j) Proposed Loading terminals & destination terminals.
(k) Any other relevant information

5.4 On receipt of the application from the AFTO intending to be registered, MOR shall study the proposal in detail and grant necessary approval as per the provisions of the policy subject to the condition that grant of such permission is not inimical to public interest and national security.

5.5 The full registration fee as stipulated in para 4.1 shall be deposited by successful applicants within one month of grant of approval by MOR failing which the approval will be treated as cancelled.

5.6 Application fee and registration fee will be paid by way of Demand draft/ Banker's cheque/ pay order only, favouring FA&CAO, Northern Railway.

5.7 On the basis of approval of MOR, agreement in the form prescribed by MOR will be signed by the CCM/FM of the Nominated Zonal Railway of the AFTO circuit for and on behalf of the President of India and the authorized signatory of the Automobile Freight Train Operator (AFTO).

5.8 The applicant has to procure full rake composition including the brake van as notified by IR with 4% additional wagons as maintenance spares.

5.9 If the AFTO intends to induct additional rakes under this scheme for which the registration fee has been paid, the same may be permitted by Railways without payment of additional fee. Conversely if he wants to withdraw any number of rakes he will be permitted to do so without any refund of registration fee subject to maintaining minimum of 3 rakes.

6.0 PROCUREMENT OF WAGONS

6.1 Procurement of wagons for induction under this policy will be allowed only with prior administrative approval of MOR. Wagons procured without the prior approval of MOR will not be permitted to be inducted for operation under this scheme.

6.2 Wagons to be inducted in the system must conform to applicable IRS designs and specifications. Such wagons will be inducted after inspection by RDSO.

6.3 Wagons other than IRS designs can also be procured subject to its prior approval by MOR and after technical clearance of RDSO as per extant rule.

6.4 Privately procured wagons will be inducted into service only after completion of the mandatory safety and quality inspections by authorized agencies as notified by MOR.

6.5 AFTO can either operate their trains between private terminals equipped to handle the traffic for which AFTO must have a tie up with such private terminals or use its own terminal/sidings for handling of such traffic or move from any rail terminal to any rail terminal on IR provided suitable handling facility is available and subject to payment of Terminal Access Charges as prescribed by IR from time to time.

6.6 The Applicant will be required to incorporate the following warranty clause in their purchase contract with the wagon manufacturer (Vendor):

"The Vendor of AFTO hereby covenants that it is a condition of the contract that all wagons furnished to the AFTO under this contract shall be of the highest grade, free of all defects and faults and of the best material, quality, manufacture and workmanship throughout and consistent with the established and generally accepted standards for materials of the type ordered and in full conformity with the contract specification, drawing or sample if any and shall, if operable, operate properly:

The Vendor of AFTO also guarantees that the said wagons would continue to conform to the description and quality as aforesaid, for a period of 30 months after their delivery or 24 months from the date of placement in service whichever shall be sooner, and this warranty shall survive notwithstanding the fact that the wagons may have been inspected, accepted and payment therefore made by the AFTO.

If during the aforesaid period, the said wagons be discovered not to conform to the description and quality aforesaid or have deteriorated, otherwise than by fair wear and tear, the decision of the AFTO in that behalf being final and conclusive then the AFTO will be entitled to reject, the wagons or such portions thereof as may be discovered not to conform to the said description and quality. On such rejection, the wagons will be at the Vendor's risk. If the Vendor so desires, the rejected goods may be taken over by him or his agents for disposal in such manner as he may deem fit within a period of 3 months from the date of such rejection. At the expiry of the period, no claim whatsoever shall lie against the AFTO in respect of the said wagons, which may be disposed of by the AFTO in such manner as he thinks fit. Without prejudice to the generality of the foregoing, all the provisions in the AFTO's standard condition of contract relating to rejection of wagons, failure and termination shall apply.

The Vendor shall, if required, replace the wagons or such portion thereof as have been rejected by the AFTO, free of cost, at the ultimate destination, or at the option of the AFTO, the Vendor shall pay the AFTO, the value thereof at the contract price and such other expenditure and damage as may arise by reason of the breach of the conditions herein before specified. Nothing

herein contained shall prejudice any other right of the AFTO in that behalf under this contract or otherwise."

6.7 An AFTO can also take new wagons on lease from a wagon leasing company subject to necessary approvals by MOR. AFTO can also purchase or take on lease wagons procured under this scheme from another registered operator, in that particular category, subject to necessary approval by MOR. However, in such cases AFTO will run the rakes as per the freight rates stipulated for AFT.

6.8 The applicant shall inform the MOR regarding details of placement of procurement order. Similarly the date of actual induction of rakes shall be advised by the applicant to MOR under advice to nominated zonal railway(s) indicating the loading and unloading terminals.

6.9 In case the design of wagon is already approved, the AFTO should procure the rake and start operation under this scheme within two years from the date of signing of the Agreement. In case of failure to adhere to this time schedule, unless specific prior extension is given by the Railway Board, the registration fees shall be forfeited and approval cancelled.

6.10 In case AFTO desires to introduce a new design for auto wagons, the procedure as outlined in the "Procedure of New Wagon Design Approvals" issued by RDSO (as amended from time to time) shall apply. The applicant, shall give details of type, drawing and design of wagon, wagon specifications etc. The same shall be evaluated by MOR in consultation with RDSO for technical feasibility. Permission to run such wagons will be subject to necessary sanction of the Commissioner of Railway Safety. The intellectual property right norms in such cases shall be governed by the latest version of the same procedure.

6.11 Such new wagons shall be SPW wagons and should be inducted in IR system within four years from the date of registration under the scheme unless specific extension is given by MOR otherwise the registration fee would be forfeited and approval canceled.

6.12 If the AFTO is already registered, such new design wagons should be inducted within three years of the design and trial runs being approved by RDSO.

6.13 The brake van will be added to the general pool of IR brake vans, in exchange for the undertaking that IR will meet the operational requirement of providing brake vans to the AFTO trains.

6.14 In case the AFTO procures the rake(s) without the brake vans he will have to pay the haulage cost of brake van provided by IR.

6.15 The AFTO shall be charged for the first run of the rake from the Manufacturing unit to the loading point as per the extant procedure.

6.16 The AFTO will be permitted to commence operations as soon as first rake is inducted and will not need to wait for the induction of all the minimum three rakes to commence operations. However, the residual rakes should be inducted within a six month period.

7.0 MAINTENANCE OF WAGONS

Maintenance of the wagons will be undertaken by IR at its own cost during the currency of the concession agreement. However, in case of wagons which will require special components for maintenance, a suitable provision will be made in the Concession Agreement so that the cost of procurement of such special components is defrayed by the investor.

8.0 COMMODITY

Automobile traffic will include passenger cars, two /three wheeler automobile units, mini trucks, tractors, chassis, shells of cars, automobiles moved in CKD condition.

9.0 FREIGHT PAYABLE

9.1 Rates as notified from time to time for the specific stock shall be applicable for such traffic moving in automobile rakes.

9.2 The rates shall be separate for rakes running as loaded and those running as empty.

9.3 Even if one wagon is loaded, the full rake shall be charged as loaded.

9.4 The freight will be charged for the composition of train load as notified by Indian Railways from time to time.

9.5 All payments after signing of agreement shall be made through e-payment including Freight etc.

9.6 AFTO shall be responsible to pay all charges and surcharges, fees, cess, duties, taxes etc. as payable on the basis of notification issued by the Central and State Governments from time to time.

9.7 In case the AFTO sells his wagons to another AFTO or end user or WLC, necessary approvals shall have to be taken from MOR before such transactions take place.

10.0 OPERATION OF TRAINS

10.1 Trains procured under AFT scheme will not be merged in the wagon pool of IR. Rakes comprising such wagons shall be identified as exclusively belonging to the AFTO who has procured them. Each rake shall have separate identification with the date of commercial commissioning in the FOIS.

10.2 IR shall run the rake with the standard composition as notified from time to time.

10.3 The AFTO will be required to have a tie up with the end-users for marketing and arranging traffic. As far as the Indian Railway's liability is concerned, the AFTO will be the Consignor and Consignee for the consignment for which Railway Receipts shall be issued by railway commercial staff posted at the terminal.

10.4 The AFTO can either operate their trains between private terminals equipped to handle the traffic for which AFTO must have a tie up with such private terminals or own its private terminal/sidings for handling of such traffic or move from any rail terminal to any rail terminal on IR provided suitable handling facility is available subject to payment of terminal access charges as prescribed by IR from time to time.

10.5 The AFTO is free to run trains over IR provided the railway terminal is open for automobile booking, and the private terminal is also willing to handle automobile traffic. No NOC shall therefore be required for the routes from zonal railways.

10.6 The AFTO shall however, nominate a base terminal from where it will operate so that a base maintenance depot can be nominated by the railways. The Agreement shall be with the Nominated Zonal Railway on which such a base depot is situated.

10.7 Indents for loading in such trains will be placed at the nominated loading point/terminal for the nominated destination point.

10.8 The AFTO may carry only the identified commodities in the train subject to conditions specified in the AFTO policy, goods tariff, red tariff, and under the provisions of the Railways Act and any other instructions issued on the subject, by MOR from time to time.

10.9 To ensure a level playing field, IR shall move the trains of AFTO on the basis of "first come first served" principle without giving any undue preference to any other operators. Railway Administration shall also make all efforts to

ensure minimum enroute detention to the AFTO trains and strive to achieve the average speed of freight trains on IR in respect of transit time of AFTO's train.

10.10 In case there is a requirement to haul the AFT rake to a specific location nominated by the Railways for the purpose of examination the same will be done without charging of any haulage charge from the AFTO operator.

10.11 The nominated zonal railway shall also be responsible for the operation of the Agreement.

10.12 The rakes may be used by IR for traffic other than the AFTO subject to a prior written agreement between IR and the AFTO.

11.0 CHARGES

11.1 The operator shall charge his customers for rail haulage, terminal handling, ground rent on a market determined basis and railways shall not exercise any control over such pricing/tariff.

11.2 There shall be no demurrage charges by the Railway if the rake(s) is detained in a private terminal, but demurrage charges will be levied if the rake is detained for loading/unloading in a railway terminal.

11.3 The Railway shall levy stabling charges as per the rates notified from time to time in case rolling stock belonging to the operator is stabled on the serving station on account of no room at the private terminal. This private terminal can be his own or a PFT.

11.4 Standard rules in respect of claims shall be applicable according to the Railways Act, 1989.

12.0 FOIS/TMS

Freight Operation Information System (FOIS) of Indian Railways shall also cater to the requirements of the operator for an integrated management and operations information service and the operator shall provide all relevant data as required by FOIS and shall be given 'read only' access to this system on payment of reasonable cost as decided by IR.

13.0 LIEN

In cases of default of payment by the AFTO, IR may exercise lien on the privately owned wagons to recover its dues.

14.0 AGREEMENT BETWEEN RAILWAY AND AFTO

After all approvals and before induction of rake, AFTO shall sign an agreement with Railway Administration as per a format to be prescribed specifically by MOR. No movement of the rakes shall be permitted prior to the signing of this concession agreement.

15.0 NODAL OFFICER

15.1 Adv/ED Freight Marketing, Ministry of Railways (Railway Board) would be the overall nodal officer for the implementation of the policy. Contact details are –Adv/FM, Room No. 471, Ministry of Railways, Rail Bhavan, New Delhi-110 001. Phone No. 011 23385222 (MTNL) and e-mail address edfm@rb.railnet.gov.in.

15.2 After the commencement of the operations CCM/FM shall be the nodal officer at the Nominated Zonal Railways.

16.0 TERMINATION OF AGREEMENT

16.1 In case AFTO wants to terminate the agreement before the expiry of the agreement period, he has an option to do so with three months advance notice. In such circumstance, he will also have an option to sell his rakes to another AFTO provided the buyer has a valid registration. The AFTO can also sell his rake to end user or WLC. Such rakes purchased by end user or WLC shall be governed by respective policies on IR. However, in such case no refund of registration fee, or residual value of the wagons will be admissible.

16.2 In case the AFTO does not follow the rules laid down by Railways for safety of the goods carried or of railway property or any rules laid down by MOR for movement of AFT, the permission of AFTO can be terminated by giving one months notice without any liability of Indian Railways. He may also be liable to be penalized in accordance with the Indian Railways Act'1989. In such case, registration fee shall not be refunded to the AFTO nor will IR pay any residual value of the wagon, though he will be entitled to dispose off the rake(s) as per the provisions of para 12.1 given above.

17.0 DISPUTE RESOLUTION

17.1 Notwithstanding any provisions in this policy, stipulations of Railway Act, 1989 will prevail. In case of any dispute in interpretation of the policy, the decision of MOR shall be final and binding.

17.2 In case of any dispute in implementation of the Agreement under this scheme, which is not resolved amicably, shall be finally decided by reference

to arbitration by a Board of three Arbitrators appointed through a procedure which will be clearly spelt out in the Agreement. Such Arbitration shall be held in accordance with the Rules of Arbitration of the International Centre for Alternate Dispute Resolution, New Delhi and shall be subject to the provisions of the "Arbitration and Conciliation Act 1996".

17.3 For resolving disputes on issues pertaining to claims for damages, freight charges, the AFTO may seek redressal by resorting to the relevant provisions of the agreement, Railway Claims Tribunal or Railway Rates Tribunal as the case may be.

18.0 REVIEW OF THE POLICY

IR reserves the right to review the policy from time to time

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