EAST COAST RAILWAY

Office of the
Chief Commercial Manager
Bhubaneswar

Commercial Circular No.157(G)/2014 Date.12.12.2014

SUB:MASTER CIRCULAR ON LIBERALISED WAGON INVESTMENT SCHEME(LWIS).

Railway Board vide Freight Marketing Master Circular/LWIS/2014/0 dtd.08.12.2014 have issued guideline on Liberalised Wagon investment Scheme (LWIS) policy consolidating all previous circulars which is enclosed herewith for information and necessary action.

All concerned to note and act accordingly.

Encl: As above (of 10 pages)

. Authority: Railway Board's letter No.2009/TC(FM)/4/6(LWIS) dtd.08.12.2014
(Freight Marketing Master Circular/LWIS/2014/0)

(R.K Sahu)
Dy. Chief Commercial Manager (FS)

No.CCM/LWIS/Policy/375/Pt-I Dt.12.12.2014

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, **Sr.DME**/KUR/WAT/SBP, .**Dy.CCO**/ECoR, **FA & CAO/BBS**:E.Co.Rly, **FA&CAO(T)**/ECoR, **Traffic Manager**: Visakhapatnam PortTrust, **Paradeep Port**/ Paradeep.

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(R.K Sahu)
Dy. Chief Commercial Manager (FS)

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भारत सरकार GOVERNMENT OF INDIA
रेल मंत्रालय MINISTRY OF RAILWAYS
(रेलवे बोर्ड RAILWAY BOARD)

रेल भवन, नई दिल्ली, - 110001, दिनांक
No. 2009/TC (FM)/ 4/6(LWIS) Rail Bhavan, New Delhi – 110 001, dated ***08.12.2014***

General Managers
All Indian Railways.

Sub : LIBERALIZED WAGON INVESTMENT SCHEME (LWIS)
Ref : Board's letter No. listed below

1. 2009/TC (FM)/ 4/6(LWIS) dt. 02.01.2012
2. 2009/TC (FM)/ 4/6(LWIS) dt. 17.09.2012
3. 2009/TC (FM)/ 4/6(LWIS) dt. 10.06.2013
4. 2009/TC (FM)/ 4/6(LWIS) dt. 21.08.2013
5. 2009/TC (FM)/ 4/6(LWIS) dt. 01.09.2014
6. 2009/TC (FM)/ 4/6(LWIS) dt. 27.10.2014

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Liberalized Wagon Investment Scheme (LWIS) was issued vide circular referred at 1 above. Subsequently, 5 more corrigendums/ addendums were issued vide circular referred 2 to 6 above. It has been decided to issue Freight Marketing Master Circular for LWIS duly consolidating all the corrigendum and addendums.

Accordingly, the Freight Marketing Master Circular on Liberalized Wagon Investment Scheme is enclosed herewith.

This issues with the concurrence of Finance Directorate of Ministry of Railways.

The receipt of this letter may please be acknowledged.

DA. As above.

8/12/14

(Gulshan Kumar)
Dy. Director Freight Marketing

रेल भवन, नई दिल्ली, - 110001, दिनांक
No. 2009/TC (FM)/ 4/6(LWIS) Rail Bhavan, New Delhi – 110 001, dated ***08.12.2014***

Copy forwarded to:

1. DAI (Railways) with 36 spares.
2. FA & CAOs, All Indian Railways.

8.12.14

For Financial Commissioner/Railways

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No. 2009/TC (FM)/ 4/6(LWIS) रेल भवन, नई दिल्ली - 110001, दिनांक
Rail Bhavan, New Delhi 110 001, dated 08.12.2014

Copy forwarded for information and necessary action to:

1. Chief Commercial Managers, All Indian Railways.
2. Chief Operations 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, National Academy of Indian Railways, Vadodara..
7. Director, Indian Railways Institute of Transport Management (IRITM), Manak Nagar, Lucknow.
8. Managing Director, DFCCIL, Pragati Maidan, New Delhi.

Copy for information to:

1. CRB, FC, MT, ME, MM
2. AM (T), AM(C), Adv. (F), Adv.(Infra), Adv. (Vig.), EDTT(M), EDTT(F), EDTT(S), ED(Plg.), EDT(PPP), EDTC(R), EDFM, EDF(C), EDV(T), DTT(Coord.), OSD/CRB Railway Board.

8/12/14

(Gulshan Kumar)
Dy. Director Freight Marketing

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LIBERALIZED WAGON INVESTMENT SCHEME

1.0 GENERAL

The existing Liberalized Wagon Investment Scheme (LWIS) circulated vide Freight Marketing Circular No. 07 of 2008 along with all its amendments, stand superseded by the revised Liberalized Wagon Investment Scheme (LWIS). The terms & conditions of the revised Liberalized Wagon Investment Scheme (LWIS) shall also be made applicable to the customers who have already made investment for procurement of wagons or obtained approval from Ministry of Railways for procurement of wagons under the existing LWIS.

2.0 DEFINITIONS AND ABBREVIATIONS

Definitions and abbreviations of some of the terms used in this document are as under.

2.1 **IR:** Railway Administration.

2.2 **MOR**: Ministry of Railways, Government of India.

2.3 **Investors**: This refers to End Users or WLCs.

2.4 **End User**: Rail customers who are producers or consumers of the goods transported by rail.

2.5 **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.

2.6 **Lessor**: A WLC engaged in the business of leasing wagons to Lessee(s).

2.7 **Lessee**: It refers to End Users, Investors under Terminal Development Scheme or Operators under Concession granted by IR to run trains on IR network.

2.8 **Leased Wagons**: Wagons given on lease by a Lessor to a Lessee.

2.9 **Idle Leased Wagons**: Wagons owned by a Lessor and held on IR network or a private siding awaiting nomination of a Lessee.

2.10 **High Capacity Wagons (HCW)**: Wagons with payload which are at least 2 tonnes higher than the payload of extant similar wagons on IR for 25.0 or 22.9 tonne axle load route, as the case may be. The dimension of such wagons should be such that it gives commensurate higher payload in the full train length without changing the laid down standard composition of rakes. Such wagons will operate on specific routes approved by IR and will not form a part of the wagon pool of IR.

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2.11 **Special Purpose Wagons (SPW)**: Wagons designed for rail transportation of a specific commodity or group of commodities. Such wagons will operate on specific routes or close circuits approved by MOR and will not form a part of the wagon pool of IR.

2.12 **Wagon Leasing Scheme (WLS)**: The Scheme introduced by MOR in the year 2008 for leasing of wagons and their operation on IR.

2.13 **Terminal Development Scheme**: Scheme introduced by MOR in 2008 to encourage development of railway terminals through investment from private sector.

3.0 TYPES OF WAGONS PERMITTED FOR PRIVATE PROCUREMENT

Following types of wagons may be procured under this Scheme.

(i) High Capacity Wagons (HCW)
(ii) Special Purpose Wagons (SPW)

4.0 PROCUREMENT OF WAGONS

Following types of investors may procure wagons.

(i) WLC (for leasing to End users)
(ii) End users (for their own traffic only)
(iii) Logistics providers exclusively for the end user company.

5.0 PROCEDURE FOR PROCUREMENT OF WAGONS

5.1 General conditions and procedure for procurement of wagons is laid down in Annexure - A.

5.2 Procurement of wagons will be allowed only with prior administrative approval of MOR.

5.3 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.

5.4 MOR reserves the right to terminate the Agreement with any investor procuring wagons under LWIS on payment of the residual value as assessed by IR.

6.0 OPERATION OF PRIVATELY OWNED WAGONS

HCW and SPW will be operated as per the provisions prescribed in Annexure - B.

7.0 MAINTENANCE OF WAGONS

7.1 Maintenance of Wagons will be undertaken by IR on payment as per agreements to be executed with the investor.

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7.2 The haulage charges for moving the wagons in rake formation from a private terminal to the workshop/maintenance depot/train examination point of the railway administration and back to the loading point shall be borne by the railway administration.

8.0 FREIGHT RATES AND CONCESSIONS

8.1 Freight concessions will be permitted to End Users only as indicated in Annexure - C.

8.2 However, if the investor has availed of any concession, subsidy or any other financial benefit for procurement of wagons from any other Ministry or from Ministry of Railways under any other Scheme, he will not be eligible under this scheme. The investor will give an undertaking to this effect. In case of false undertaking, benefit given if any, shall be recovered through a suitable mechanism to be developed by the Railways.

9.0 RESTRICTED COMMODITIES

Transport of Coal and coke, ores and minerals including iron ore will not be permitted in privately owned wagons.

10.0 LIEN

In cases of default of payment by the investor, IR may exercise lien on the privately owned wagons and the consignment loaded in such wagons to recover its dues. However, in case of leased wagons the relevant provisions of the WLS will apply.

11.0 DISPUTE RESOLUTION

All disputes in regard to implementation of the agreements with the Zonal Railway, under this scheme, will be referred to an Arbitrator nominated by General Manager of the Zonal Railway.

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Annexure - A

General conditions and procedure for procurement of High Capacity and Special Purpose Wagons for LWIS

Following procedure and conditions are laid down for procurement of wagons by prospective investors under LWIS:-

1. The Chief Operations Manager (COM) of the concerned loading railway should be contacted along with specific details of the proposal. The details should include number of rakes required, type of wagons, commodity, loading station(s), destination station(s), proposed specific route(s) or close circuit(s) and any other information relevant to the proposal.

2. After examination of the proposal regarding its operational feasibility, No Objection Certificate (NOC) shall be issued by the COM of the loading railway in consultation with the COM of the destination railway. NOC should normally be issued within 10 days of receipt of application.

3. NOC should clearly indicate number of rakes, type of wagon, loading station, unloading station(s), commodity, route or the close circuit for movement of the traffic in such rakes, etc.

4. Application along with NOC should be forwarded by the zonal railway to the Executive Director/Freight Marketing (EDFM), Railway Board for examination by the TT Directorate and issue of final approval of the Railway Board for permitting procurement of rakes under LWIS.

5. On the basis of the approval of the Railway Board, an Agreement will be signed between the Chief Commercial Manager (CCM) of the concerned Railway and Investor.

6. Wagons should be procured in units of rake with 4% maintenance spares and one brake van.

7. Rakes will be procured by customers directly from wagon manufacturers or through import subject to compliance with current applicable IRS designs and specifications and inspection by nominated agency of IR, namely, RDSO.

8. Customers will be required to incorporate following warranty clause in the purchase contract with the wagon manufacturer.

   "Supplies shall be guaranteed against any manufacturing defect/poor workmanship quality etc. for a period of 24 months of commissioning or 30 months from the date of delivery, whichever is earlier. During this period contractor will arrange to repair/replace any defective part free of cost or replace complete set if required. Further, since these wagons are to be utilized by the customers of Indian Railways, they

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are hereby authorized to invoke this warranty clause in case of any default on the part of wagon manufacturer."

9. Information regarding placement of order for procurement of rakes may be advised to the COM of the concerned zonal railway as well as EDFM, Railway Board.

10. Date of actual induction of the rake on IR network may be informed to the COM and EDFM, Railway Board. The zonal railway will keep the details of the wagons and brake-vans procured for each rake.

11. On receipt of documents about commissioning of the rake under LWIS, a commercial notification will be issued by the CCM in consultation with COM. The notification should have all relevant details mentioning inter alia, the details of the concession, the date of commencement of the concession period, the name of the investor, wagon numbers, commodity, approved circuits, the base freight at the time of notification etc.

12. Each rake procured by investor will thus have an associated loading and unloading point(s) over specific route(s) or close circuit(s) as approved by the Railways as per the above procedure.

13. The associated loading and unloading point or points can be changed as per the requirement of the LWIS customer. This change is subject to the operational feasibility and NOC from the concerned Zonal Railway and approval of the Railway Board. The loading and unloading station will be of end users.

14. In case the LWIS customer wants to carry commodity other than for which permission has been given, the same may be permitted provided that commodity is produced/consumed by LWIS customer and can be carried in rake/rakes for which permission has been granted. E.g. If BCCW rake/rakes under LWIS have been procured for loading cement and fly ash and the investor desires to change the number of rake/rakes dedicated to either of the commodity, it should be allowed.

15. However, in the case of leased wagons, changes in the associated loading and unloading point(s) and the route(s) or closed circuit(s) can be made as per the requirement of the WLC subject to the certification of operational feasibility and approval of the Railway Board. Each such case shall, however, be processed for issue of a fresh NOC from the concerned Zonal Railway and the approval of Railway Board as per the procedure prescribed above.

16. Rake(s) should be procured under this scheme within one year from the date of signing of the Agreement, unless specific prior extension is given by the Railway Board.

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Annexure - B

Conditions for operation of High Capacity and Special Purpose Wagons in LWIS

IR will operate HCW and SPW as per the conditions prescribed below:-

1. Private wagons falling in this category will not be merged in the wagon pool of IR. Rakes comprising of such wagons will be identified as exclusively belonging to the private investor who has procured them.
2. Loading in wagons procured under this Scheme will be permitted only against indents registered by End Users subject to extant rules for allotment of wagons.
3. Indents for loading in such wagons will be placed at the approved loading point for the approved destination point for movement over specific route(s) or closed circuit(s) as approved by the Railways.
4. If the End User does not place any indents, these wagons will remain idle in his premises.
5. If IR has to stable these rakes in railway owned yards at the request of the End User or otherwise, stabling charges as notified by MOR will be payable.
6. IR will have no right to use these wagons, except as stipulated in Para 7 below, for loading of traffic of any customer other than the End User for the wagons concerned.
7. Notwithstanding Para 3 and 6 above, HCW or SPW may be used by IR for traffic offered by customers other than the End User subject to a prior mutual written agreement between IR and such Investors or WLCs regarding the terms of such usage.
8. Investor will not be entitled to any residual value of the rake procured by him.
9. Freight traffic transported in the SPW in an approved close circuit will originate from a private siding or terminal and terminate at a private siding or terminal capable of handling the traffic in such special purpose wagons.
10. Wherever relevant, provisions of the Terminal Development Scheme will apply for operation of SPW.

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Annexure-C

FREIGHT CONCESSIONS in LWIS

Freight concessions to the End Users that will be granted for each loading in the rakes consisting of new HCW and SPW procured under LWIS are as under:-

A. **HCW operating on approved specified routes**

1. Investments in HCW, with a payload of 2 tonnes more than the payload of extant similar wagons (as mentioned in Para 2.10 of the scheme) will be eligible for a freight concession of 12% for a period of 20 years.

2. For each additional tonne of payload in excess of what is prescribed in Para 1 above, an additional 0.5% of freight discount will be granted for 20 years.

3. Payload will be reckoned in terms of integral units of tonnes after rounding off the fractions to the lower integer.

B. **SPW operating in approved Closed circuits**

Freight concession of 15% will be granted for a period of 20 years for each loading of a new rake of SPW procured under LWIS operating between existing or new private terminals capable of handling the traffic in such special purpose wagons in an approved close circuit.

The above mentioned freight concessions of 12% and 15% shall henceforth be granted in each case on the Base Freight Rate prevailing at the time of booking during the currency of the concession period of 20 years.

The concession shall be applicable to (a) rakes that are already running over Indian Railways System with prospective effect only and (b) new rakes that will be inducted in Indian Railways System. Arrangements may be made to incorporate the change in the existing LWIS agreements for the rakes which have already been inducted.

C. No freight will be charged for movement of empty rake to the next destination provided the distance travelled by empty rake is less or equal to the distance travelled by the train before unloading. However, if the distance travelled by empty rake is more than the loaded distance then for additional distance travelled by empty rake over and above the loaded distance, empty freight rate shall be charged at 50% of loaded freight of public tariff on carrying capacity of the wagons.

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