

EAST COAST RAILWAY

Office of the
Chief Commercial Manager
Bhubaneswar

Commercial Circular No. 162(G)/2014

Date.22.12.2014

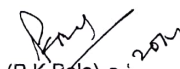
SUB: MASTER CIRCULAR ON SPECIAL FREIGHT TRAIN OPERATOR (SFTO) SCHEME.

Railway Board vide Freight Marketing Master Circular/SFTO/2014/0 dtd.22.12.2014 have issued guidelines on Special Freight Train Operator (SFTO) Scheme, which is enclosed herewith for information and necessary action.

All concerned to note and act accordingly.

Encl: As above (of 14 pages)

Authority: Railway Board's letter No.2014/TC(FM)/4/23 dtd.22.12.2014
(Freight Marketing Master Circular/SFTO/2014/0)


(P.K. Bala)
Asst. Commercial Manager(PM)
For Chief Commercial Manager

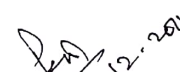
No.CCM/SFTO/375/Pt-I

Dt.22.12.2014

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.


(P.K. Bala)
Asst. Commercial Manager(PM)
For Chief Commercial Manager

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15 pages ①

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

No. 2014/TC(FM)/4/23

New Delhi, Dated. 11.11.2014
22.12.2014

General Managers,
All Indian Railways.

Sub : SPECIAL FREIGHT TRAIN OPERATOR (SFTO) SCHEME.

Policy on "SPECIAL FREIGHT TRAIN OPERATOR (SFTO) SCHEME" was issued vide Freight Marketing Circular No. 15 of 2013 under Railway Board's letter No. 2012/TC(FM)/4/10 dated 24.06.2013. Since then, one amendment has been issued vide Freight Marketing Circular No. 16 of 2014 under Railway Board's letter No. 2012/TC(FM)/4/10 dated 24.09.2014. With a view to bring the policy instructions under one umbrella, it has been decided to issue a Master Circular combining all the instructions issued so far.

This circular will be in supersession of all previous instructions / circulars on the above subject.

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

The receipt of this letter may please be acknowledged.

DA : As above.

(Rita Raj)
Director Freight Marketing

No. 2014/TC(FM)/4/23

New Delhi, Dated. 11.11.2014
22.12.2014

Copy to :

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

for Financial Commissioner/Railways.

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FREIGHT MARKETING MASTER CIRCULAR / SFTO /2014/0

No. 2014/TC(FM)/4/23

New Delhi, Dated. 11.2014
22.12.2014

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. 2014/TC(FM)/4/23

New Delhi, Dated. 11.2014
22.12.2014

Copy for information to:

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

(Rita Raj)

Director Freight Marketing

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SPECIAL FREIGHT TRAIN OPERATOR (SFTO) SCHEMEINDEX

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SPECIAL FREIGHT TRAIN OPERATOR (SFTO) SCHEME

1.0 GENERAL

The objective of the policy is to increase Railways share in transportation of non conventional traffic in high capacity and special purpose wagons thereby increasing commodity base of Rail traffic. Induction of better design of wagons to increase through put per train will also be facilitated.

This policy provides an opportunity to logistics service providers or manufacturers to invest in wagons and use advantages of rail transport to tie up with the end users and market the train services owned by them for rail transportation of selected commodity to create a win-win situation for railways and themselves. The terms and conditions of the policy are indicated as under:

2.0 DEFINITIONS AND ABBREVIATIONS

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

- 2.1 'CCM/FM' means Chief Commercial Manager/ Freight Marketing.
- 2.2 'End User' means customer who is producer or consumer of the goods transported by rail.
- 2.3 'FA&CAO TA' means Financial Advisor & Chief Accounts Officer Traffic Accounts.
- 2.4 'FOIS' means Freight Operating Information System.
- 2.5 'High Capacity Wagons (HCW)' means 'Special Purpose Wagons' notified by IR, based on various designs and carrying capacity of similar types, available with IR, which have increased through put per train beyond 10%.
- 2.6 'Identified Commodity' means commodities approved by MOR for transportation in special purpose privately owned wagons under the SFTO scheme. The list of commodity will be notified from time to time by MOR.
- 2.7 'IR' means Indian Railways network.
- 2.8 '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.
- 2.9 'MOR' means Ministry of Railways, Railway Board.

- 2.10 **'Private Terminal'** means a private siding, private freight terminal or private port terminal having facility to handle commodities specified under this scheme.
- 2.11 **'RA'** means Railway Administration. Implies Zonal Railway Administration.
- 2.12 **'RDSO'** means Railway Design and Standards Organization.
- 2.13 **'RR'** means Railway Receipt.
- 2.14 **'SFT'** means Special Freight Train, a privately owned train for transportation of identified commodities.
- 2.15 **'SFTO'** means Special Freight Train Operator and refers to the parties who invest in procurement of rakes and arranges traffic for loading/unloading in the Special Freight Trains (SFT), owned by them after obtaining necessary permission from the MOR under this policy.
- 2.16 **'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 commodities as defined in para 4.0 of this policy. Such wagons will not form a part of wagon pool of IR.
- 2.17 **'TMS'** means Terminal Management System of FOIS.
- 2.18 **'Wagon Leasing Company (WLC)'** means 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 Company's Act 1956.
- 3.1.2 A subsidiary company.
- 3.1.3 A Joint venture company or partnership.
- 3.1.4 A public sector entity in the business of logistics.
- 3.2 The company should have minimum one year experience in any one of the following fields as on 31st March of the last Financial year.
- (a) transport and logistics
 - (b) port and land terminal operations
 - (c) warehousing
 - (d) container train operations
 - (e) manufacturers
 - (f) wagon leasing company

- 3.3 The company should have a net worth of minimum Rs. 50 crore or an annual turnover of minimum Rs. 75 crore as on 31st March of the last financial year.
- 3.4 In case the applicant is a subsidiary company, experience and net worth of the holding company, owning more than 50% equity, may be reckoned for the purpose of Para 3.2 and 3.3 above. However, in such cases, the applicant company should have a minimum of 25% of the prescribed net worth.
- 3.5 Any company which has been declared sick under Sick Industrial Companies (Special Provision Act'1985) shall not be eligible to apply under these rules to operate trains either individually or in association with other companies.
- 3.6 There shall be no change of control of the SFTO 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 SFTO's train pursuant to the Concession Agreement, where after there may be a Change of Control, subject however, to the condition that such Change of Control 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 Agreement.

4.0 COMMODITY

The commodities included under various categories are listed below -

Category-1

- (a) Bulk Fertilizers
- (b) Bulk Cement
- (c) Fly Ash

Category-2

- (a) Bulk Chemicals
- (b) Petrochemicals that includes Light Diesel Oil (LDO), Carbon Black feed Stock (CBFS), Low Sulphur Heavy Stock (LSHS), Heavy Petroleum Stock (HPS), Vacuum Gas Oil (VGO), Low Viscous Furnace Oil (LVFO), Low Sulphur Furnace Oil (LSFO), Residue Crude Oil (RCO), (excluding petroleum products like naphtha, aviation turbine fuel, high speed diesel, kerosene oil, petrol, furnace oil, LPG)
- (c) Bulk Alumina

Category-3

- (a) Steel products requiring specially designed wagons.

Category-4

- (a) Molasses
- (b) Edible oil
- (c) Caustic soda

5.0 REGISTRATION FEE AND VALIDITY

- 5.1 The SFTO selected by the MOR shall have to deposit registration fee for different categories as detailed under para 4.0 is given as below-
- (i) Category-1- Rs. 7 Crores
 - (ii) Category-2- Rs. 10 Crores
 - (iii) Category-3- Rs. 10 Crores
 - (iv) Category-4- Rs. 3 Crores
- 5.2 The concession agreement for operation of SFT would be valid for a period of 20 years from the date commercial operation of trains by SFTO, extendable till expiry of the codal life of the wagons, based on the performance of the operator. However, the freight rebate shall be given only in accordance with para 10.2 and 10.3 of this policy.
- 5.3 Granting of permission to an SFTO shall not restrict Indian Railways for transportation of such traffic in wagon procured/arranged by IR under any other scheme or will not give any kind of sole right to run such wagons exclusively but such wagons can be procured and run by other operators also.
- 5.4 SFTO who have been registered under the previous policy shall be governed by the provisions of that policy.

6.0 PROCEDURE FOR APPLICATION

- 6.1 Procurement of wagons for induction under this policy will be allowed only with prior administrative approval of MOR. Wagons procured with out the prior approval of MOR will not be permitted to be inducted for operation under this scheme.
- 6.2 The applicant has to apply to ADV/ED FM with all details for becoming an SFTO. The applicant has to apply for a minimum 3 rakes for a commodity under this scheme.
- 6.3 The applicant has to apply for each category separately in case he is willing to opt for more than one category.
- 6.4 The application fee equivalent to 1% of the registration fee as mentioned under para 5.0 of policy has to be deposited by the applicant along with the application.

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In case no approval is given by MOR, 99% of the application fee will be refunded within one month of rejection of the proposal.

6.5 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.

6.6 On receipt of the application from the SFTO 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.

6.7 The full registration fee as stipulated in para 5.1 shall be deposited by successful applicant within one month of grant of approval by MOR failing which the approval will be treated as cancelled.

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

6.9 After approving the applicant as SFTO, MOR will inform the concerned zonal railways including all details regarding the name of SFTO, rebate, category, commodity, number and type of rakes, handling terminals etc. Zonal Railway (CCM/FM) shall issue a notification including all the details for information of all concerned.

7.0 WAGONS

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

7.2 The SFTO may develop new wagon designs in accordance with the "Procedure of New Wagon Design Approvals" issued by RDSO, as amended from time to time.

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The intellectual property right norms in such cases shall be governed by the latest version of the same procedure.

- 7.3 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.
- 7.4 The applicant has to procure full rake composition including the brake van as notified by IR with 4% additional wagons as maintenance spares.
- 7.5 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 SFTO trains.
- 7.6 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 are hereby authorized to invoke this warranty clause in case of any default on the part of wagon manufacturer."
- 7.7 A SFTO can also take new wagons on lease from a wagon leasing company subject to necessary approvals by MOR. However, in such cases SFTO will be entitled for a freight rebate, minus the age of the wagons as certified by the concerned zonal railways.
- 7.8 The applicant shall inform the MOR regarding details of placement of procurement order. Similarly the date of actual induction shall be advised by the applicant to MOR under advice to concerned zonal railway(s) indicating the loading and unloading terminals.
- 7.9 In case of the already approved design of wagons, the SFTO 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 canceled.
- 7.10 In case of new design wagons the applicant while submitting registration fee shall give details of type and design of wagon, wagon specifications etc. The same shall be evaluated by MOR in consultation with RDSO and if technically it is found to be feasible to operate such new design wagons the registration fee shall be retained

other wise 99% shall be refunded and registration under the scheme will be canceled. However, such wagons 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.

- 7.11 If the SFTO intends to induct additional rakes in the same category 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.
- 7.12 The SFTO 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.

8.0 MAINTENANCE OF WAGONS

- 8.1 Maintenance of the wagons will be undertaken by IR at its own cost during the currency of the agreement. However, in case of wagons which will require special components for maintenance, a suitable provision will be made in the Agreement so that the cost of procurement of such special components is defrayed by the investor.
- 8.2 In case there is a requirement to haul the SFT 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 SFTO operator.

9.0 TERMINALS

- 9.1 SFTO will operate between private terminals equipped to handle SPW for which SFTO must have a tie up with such private terminals or own its private terminal/sidings for handling of such trains.
- 9.2 In case the operator wants any addition or deletion in the loading/unloading terminals or circuits, the same may be permitted on the basis of application submitted to MOR based on operational feasibility given by the zonal railway.
- 9.3 The loading and unloading zonal railway shall maintain all records pertaining to details of loading/unloading, circuits on which service is being run, changes in circuits over a period of time, rebate granted, freight charged, lead in empty and loaded direction separately, commodity wise and category wise through FOIS. The zonal railway shall also be responsible for operation of the agreement.

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10.0 FREIGHT PAYABLE AND REBATE

- 10.1 Wagon inducted for transportation of commodities under this scheme should give at least the same net tonnage per train as carried in a train of full rake length as notified by IR.
- 10.2 For each loading of an SPW rake, freight rebate of 12% would be granted for 20 years on the freight rate prevailing at the time of booking.
- 10.3 In case of High Capacity Wagons, if inducted by the operator, resulting in increase in throughput per train beyond 10% an additional freight rebate of 2% shall be granted on base freight for each increase of 10% in throughput per train subject to a maximum of 10% for the additional tonnage carried for a period of twenty years.
- 10.4 The freight will be charged for minimum composition of train load as notified by Indian Railway from time to time for that particular commodity classification.
- 10.5 No freight will be charged for movement of empty rake to the next destination provided the distance traveled by empty rake is less or equal to the distance traveled by the train before unloading. However, if the distance traveled by the empty rake is more than the loaded distance, then for additional distance traveled by the 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.
- 10.6 In case loading in the empty direction is done by the operator, other than the commodity for which he is registered, he shall get a freight rebate of 10% on the public tariff for that commodity. The tariff to be paid by the SFTO after the concession should not be less than class 100.
- 10.7 All payments on the RR shall be made through e-payment including Freight etc. through TMS.
- 10.8 SFTO 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.

11.0 OPERATION OF TRAINS

- 11.1 Trains purchased under SFT scheme shall not be merged in the wagon pool of IR. Rakes comprising of such wagons shall be identified as exclusively belonging to the SFTO who has procured them. Since the rebate will be applicable on the specific rakes for a specific period, each rake will have separate identification with date of commercial commissioning in the TMS.

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- 11.2 The SFTO shall have a tie up with the end-users for marketing and arranging traffic. As far as the Indian Railway's liability is concerned, the SFTO will be the Consignor and Consignee for the consignment for which Railway Receipts will be issued by railway commercial staff posted at the terminal.
- 11.3 The SFTO shall develop his own terminal or tie up with private sidings/terminals as per extant rule for loading/unloading of traffic moved in SFT. In case of tie up with other private terminals, the SFTO shall submit an NOC to this effect with the private terminal operator for such movement to the concerned Zonal Railways.
- 11.4 Indents for loading in such trains will be placed at the nominated loading point/terminals for the nominated destination point.
- 11.5 The rakes may be used by IR in an emergency for traffic offered by customers other than the SFTO subject to a prior mutual written agreement between IR and such SFTO.
- 11.6 The SFTO may carry only the identified commodities in the train subject to conditions specified in the SFTO policy, goods tariff, red tariff, and under the provisions of the Act and any other instructions issued on the subject, by Ministry of Railways or IR from time to time.
- 11.7 To ensure a level plying field, IR shall move the trains of SFTO 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 SFTO trains and strive to achieve the average speed of freight trains on IR in respect of transit time of SFTO's trains.
- 11.8 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.
- 11.9 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.
- 11.10 There shall be no demurrage charges by the Railway as Railway terminals are not being used, but 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 account of the SFTO on IR network.

- 11.11 The liability of the commodity carried in the wagons shall be that of the SFTO with regard to the common carrier liabilities as given in the Railways Act, 1989.
- 11.12 Normal rules in respect of claims shall be applicable according to the Indian Railway Act.

12.0 AGREEMENT BETWEEN RAILWAY AND SFTO

- 12.1 After all approvals and before induction of rake, SFTO shall sign an Agreement with Indian Railway as per a format to be prescribed specifically by IR, which inter alia will contain details of operating, commercial, accounting procedures and terms and conditions of the concession agreement. No movement of the rakes shall be permitted prior to the signing of this agreement.
- 12.2 On the basis of approval of MOR Agreement in the form as prescribed by MOR will be signed by the CCM/FM of the originating Railway of the SFT circuit for and on behalf of the President of India and the authorized signatory of the Special Freight Train Operator (SFTO).

13.0 NODAL OFFICER

- 13.1 Adv/ED/Freight Marketing, Ministry of Railways (Railway Board) would be the overall nodal officer for the implementation of the policy. Contact details are – 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.
- 13.2 At the Zonal Railways, Chief Freight Traffic Managers (CFTMs) shall be the nodal officers for granting NOC for the routes applied for by the SFTO. CCM/FM shall be the nodal officer for the operation of the Agreement.

14.0 LIEN

In cases of default of payment by the SFTO, IR may exercise lien on the privately owned wagons and the consignment loaded in such wagons to recover its dues.

15.0 TERMINATION OF AGREEMENT

- 15.1 In case SFTO 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 SFTO provided the buyer has a valid registration to run that commodity for which the rake has been inducted. The SFTO can also sell his rake to end user or WLC. Such rakes purchased by end user or WLC shall be governed by respective policies of

IR. However, in such case no refund of registration fee, or on residual value of the wagons will be admissible.

- 15.2 In case the SFTO 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 SFT, the permission of SFTO can be terminated by giving one month notice without any liability of Indian Railways and 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 SFTO nor IR will pay any residual value of the wagon, though he will be entitled to dispose off the rake(s) as per the provisions of para 15.1 given above.

16.0 DISPUTE RESOLUTION

- 16.1 In case of any dispute in interpretation of the policy, the decision of MOR will be final and binding.
- 16.2 In case of any dispute in implementation of the Agreement under this scheme, which is not resolved amicably, the same 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".
- 16.3 For resolving disputes on issues pertaining to claims for damages, freight charges, the SFTO may seek redress by resorting to the relevant provisions of the Agreement, Railway Claims Tribunal or Railway Rates Tribunal as the case may be.

17.0 REVIEW OF THE POLICY

IR will review the policy from time to time.

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