S.No. 1

FREIGHT MARKETING CIRCULAR No.7 OF 2005

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

रेल भवन, नई दिल्ली – 110 001, तिथि
No. 2004/TC(FM)/23/2 Pt. Rail Bhavan, New Delhi - 110 001, dated 07.04.2005

The General Manager,

1. Central Railway, Mumbai.
2. Eastern Railway, Kolkata.
3. East Central Railway, Hajipur.
4. East Coast Railway, Bhubaneswar.
5. Northern Railway, New Delhi.
6. North Central Railway, Allahabad.
7. North Eastern Railway, Gorakhpur.
8. Northeast Frontier Railway, Maligaon.
9. North Western Railway, Jaipur.
10. Southern Railway, Chennai.
11. South Central Railway, Secunderabad.
12. South Eastern Railway, Kolkata.
13. South East Central Railway, Bilaspur.
14. South Western Railway, Hubli.
15. Western Railway, Mumbai.
16. West Central Railway, Jabalpur.

Sub: Guidelines for setting up of rail-side warehousing facilities with public-private partnership.

Reference is invited to Railway Board's letter No. 98/TC(FM)/15/18 dated 27.7.2001 dealing with policy guidelines read with letter No. 2004/TC(FM)/23/2Pt. dated 21.2.2005 regarding setting up of rail-side warehousing facilities in partnership with CWC as per the Memorandum of Understanding entered into with them.

Pursuant to the announcement by Hon'ble Minister for Railways in the Budget Speech 2005-2006 regarding setting up of rail-side warehousing facility with public-private partnership for participants other than CWC, consolidated guidelines incorporating all amendments is enclosed.

This issues with the concurrence of Land Management and Finance Directorate of Ministry of Railways.

(Ms. S.R. Sett)
Joint Director Freight Mktg.

GUIDELINES

Objective: The objective of the project is to provide warehousing to promote inter-modality by providing seamless door-to-door service at competitive price, reducing the cost of secondary transport through provision of warehousing at close proximity to rail facility and other value added services to customers.

1.1 The warehouse will be in addition to, and not in substitution of , the existing Goods Shed.

2. **Who can apply:** Any individual firm or corporate entity having Rs. 10 Crores turnover per annum with requisite expertise & experience in execution of warehousing project can apply. For Foreign Agencies, an Indian Joint Venture partner will be necessary.

3. **Whom to apply:** The application will be submitted to the Chief Comml. Manager of the Zonal Railway(s) concerned.

4. **Site for Warehouses:** The proposals for warehousing may be considered only at those locations where setting up of such value added facility will result in attracting sufficient additional traffic and sites so identified are agreed to by the Railways. Necessary traffic survey in this regard may be carried out by the prospective warehousing agency. Location will be jointly decided by the service provider and Railways. Final decision in this regard will rest with Railways.

5. **Provision of land:** As the idea of providing warehousing has been conceived to give value added single window system service to the customers at the Railway terminal itself, the land for the warehouse will be provided by Railways. While earmarking such land for warehouse, Railways' own long term future requirement should also be kept in view. The size of the plot shall have a direct relevance with the minimum level of traffic guaranteed. The land to be finally given on lease would be recommended by a committee of officers of the zonal railway at SAG level from Commercial, Engineering and Finance Departments. Recommendations would be put up to AGM/GM for acceptance. Railway Board will be kept informed in the matter.

6. **Earnest Money & Security Deposit:** The bidders will be required to deposit an amount of Rs. 5,00,000/- (Rupees Five Lac) as earnest money along with the bid. The successful party will have to make a Security Deposit of Rs. 25,00,000 (Rupees Twenty five Lac) in the form of a Bank Guarantee in the format as prescribed by Ministry of Finance (Copy enclosed).

6.1 **Mode of selection:** The selection of the warehousing agency will be made after Inviting competitive bids which will be in two parts i.e. Technical bid and Financial bid (format enclosed).

6.1.1 Technical bids will have particulars like firm's name, address, existing areas of activity and experience, list of customers served, area of warehousing and other facilities proposed to be built including indication of

land requirement, expected gestation period for project implementation, source of funding, financial results (audited accounts) for the last three years.

6.1.2 The financial bid will include the expected annual turnover in the first year and subsequent years, pinpointing guaranteed rail-borne traffic separately, expected revenue performance in the first year and subsequent years and percentage of total revenue* subject to a minimum of 5%, proposed to be shared with Indian Railways.

* Total revenue will include revenues accruing out of all the activities arising out of the business at the location leased to the promoter.

7. **Tender Selection Committee:** The Tender Selection Committee (TSC) comprising of 3 SAG Officers one each from Commercial, Accounts & Engineering Deptts. will finalise the tenders and take approval of General Manager.

8. **Period of Lease Agreement:** The lease agreement will be for 30 years which may be extended further subject to satisfactory performance for a period and on such terms and conditions as may be mutually decided between the Railways and the promoter. In case the lease is not extended, the premises alongwith the structures will be handed over to the Railways.

9. **License Fee:** As the idea behind the scheme is to increase rail borne traffic and to share the revenues, Railways will charge a nominal land license fee of Re. 1/- per sqr. Meter per annum. Lease rent will be paid by the promoter for the warehousing area including any open areas around the built-up warehousing structure used for business/movement purpose as agreed mutually with Railway.

9.1 **Revenue sharing:** From the third year onwards or from the date of operationalisation of the warehouse, whichever is earlier, in addition to the nominal lease rental, the promoter will share with Railways the accepted percentage, subject to minimum of 5%, of the gross revenues from all activities arising out of the business at the location leased to the promoter. This percentage will be reviewed every three years after the date of operationalisation of the warehousing complex or from the sixth year after the execution of the agreement, which ever is earlier.

10. **Loading/Unloading facilities:** Loading/Unloading facilities at the terminal will be developed by the promoter for smooth operations.

11. **Free time:** Free time for loading/unloading will be as per Railways rule & beyond this, the rakes detained will include demurrage charges. No wharfage, however will be levied under the system.

12. **Development & Maintenance of common area :** The common facility areas like circulating area, approach roads, lighting, office complex for rail users, basic amenities for rail users, road parking etc. will be developed by the service provider and used commonly with the Railways. The repair and maintenance cost of this area shall be borne by the promoter. It is, however

clarified that no lease rent is payable in respect of such area. No commercial activity is allowed on this land.

13. **Rail linkage:** Railways will provide efficient rail connectivity required to handle traffic. Efficient loading/unloading facilities at the existing rail terminal in proximity to the warehouse will be developed by the promoter for smooth running of the warehouse.

14. **Preference to Rail borne traffic:** The promoter will be required to give preference to the rail borne traffic. This will be a condition of the lease agreement enjoining the promoter to earmark at least 70% of the warehousing space for rail borne traffic. A committee of officers from Commercial, Accounts and Engg. Departments will conduct a review of rail borne traffic every year.

15. **Staff cost :** Cost of Commercial Staff which will be posted at the Goods Sheds to issue RR and supervise loading/unloading will be borne by the service provider. However, Railways will keep the number of such staff to the minimum.

16. **Gestation period:** The warehouse promoter would be allowed a maximum period of two years from the date of signing the agreement as gestation period which will cover construction and operationalisation of the warehouse.

17. **Termination of lease contract :** Railways reserve the right to terminate the lease contract under the following circumstances :

(i) On termination of lease period if further extension is not sought.

(ii) If no warehouse construction work starts within one year of granting letter of intent, the agreement will stand terminated automatically.

(iii) Any violation of the terms and conditions of the lease agreement.

(iv) Rail borne traffic going down the minimum level of guranteed traffic continuously for two years.

(v) In the event of promoter not paying the minimum lease charges in any year and portion of the revenue as fixed in the agreement.

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