

SOUTH CENTRAL RAILWAY



ADVANCED GOODS THEORY

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THEORY OF RATES

General Principles of Railway Rating Policy.

Indian Railways carry a heterogeneous variety of goods, raw materials, finished products, perishables, goods in bulk and in bags, liquids, articles of high and low value, fragile and dangerous goods, building materials of kinds, medicines, chemicals and drugs, clothing, foot wear and essential food stuffs; and in fact every article and Commodity that, either directly or remotely, enters into the daily existence of the average person. To fix the charges for the transportation of these diverse varieties of goods, over different distances and under varying conditions, is clearly a matter of great complexity and can not obviously be reduced to an exact scheme. There are, however, several broad principles which determine not only the method of charging but also the general level of rates for the various commodities, an understanding of which is indispensable to a study of the Goods Rates Structure of the Indian Railways.

One such principle is commonly referred to as charging "**what the traffic will bear**", i.e., fixing the charge for each variety of goods according to its ability to pay for transportation. This is also called the '**value of service**' principle. In this way, goods of high value are made to pay more, so that commodities and articles of low value, including food stuffs and industrial raw products, may be carried at lower rates. This is eminently equitable and it is from this principle of charging "what the traffic will bear" that the Railways derive sanction for the practice of classifying commodities into different groups, within each of which a sufficient degree of affinity of transportation and economic characteristics can be found to justify the application, to each group, of a different scale of basic rates.

Another basic principle of rating which is receiving increasingly greater attention is that of the '**Cost of Service**'. Thus, caking the two principles together, each variety of goods should be charged no more than it can ordinarily afford to pay for transportation and, by and large, no less than it costs to move it. For applying this criterion, duo cognizance has to be taken of the factors affecting the ability of commodity to pay for transport viz. –

- (a) value in relation to weight
- (b) uses,
- (c) stage of manufacture,
- (d) volume of traffic, and
- (e) Also the factors affecting the costs of transportation viz.
 - (i) bulk in proportion to weight,
 - (ii) risk of damage, wastage, or deterioration in transit,
 - (iii) speed of transit, and;
 - (iv) Volume of traffic.

As stated earlier, Government had laid down that the 'value of service' was to provide the ceiling and the 'cost of service' the floor in determining the railway

rates. With the growth of road transport and its competitive characteristics, the point of substitution of one mode of transport by another, would constitute the effective ceiling on the 'value of service' based rates. The second limitation to the application of the aforesaid twin principle is the legal prohibition against undue preference and undue prejudice.

TRAFFIC SURVEY

It is a detailed study of traffic conditions and prospects of an area with the object of determining the most promising routes for the railways in the area.

For the purpose of construction and financial implications, the railways are divided into **three** categories

- **Strategic lines**
- **Protective lines**
- **Commercial lines**

Strategic lines are constructed for the defence of the country. Protected lines are constructed to protect a particular part of the country from famine. Commercial lines are constructed keeping in view the idea of profit and loss.

No financial justification is required for strategic and protected lines. It is for the commercial lines that the financial justification is required.

An experienced administrative officer of the traffic (Commercial / Operating) department should be entrusted with the work of traffic survey. To ensure that the estimates of anticipated traffic, capital cost and recurring expenses etc. are realistic and the financial appraisal of the project including the phasing of investments and returns at each stage are worked out as correctly as possible and with great deal objectivity, an accounts officer of appropriate status should be associated with the traffic survey officer. The traffic survey team should be supplied with terms of reference containing instructions regarding the scope and nature of the investigation to be carried out.

The traffic survey team should also visit the HQ at various intervals both during the progress of the work in the field and during the period of recess in order to consult the General Manager and where necessary, have the original terms of reference modified by the competent authority. This would enable the main line administration to determine the design of the new line under investigation.

The traffic survey team should also work in close collaboration with the engineering survey party if there is one in the field at the same time, and while collecting information should visit all the trade centers in the area, consult local authorities and prominent citizens freely both on regard to trade and industry and most suitable alignment for the proposed railway line.

Traffic survey is mainly of two types.

- Preliminary Survey
- Final Survey.