SOUTH CENTRAL RAILWAY

ADVANCED GOODS THEORY

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INDEX

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 IndianRailways.

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