

**GOVERNMENT OF INDIA/ भारत सरकार**  
**MINISTRY OF RAILWAYS/ रेल मंत्रालय**  
**(Railway Board)/(रेलवे बोर्ड)**

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New Delhi, dated 06.12.2016

To

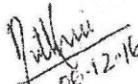
All Chief Secretaries,  
All Principal Secretaries (Urban Development)  
All Principal Secretaries (Transport)

Sub: Draft Policy Guidelines for taking up new Suburban Rail System on Indian Railways.

Various State Governments have been requesting Ministry of Railways for introduction of suburban rail services in cities to cater to growing demands of rail based urban transport. To address the growing demand for construction and introduction of suburban rail services in various cities, a draft policy guidelines have been formulated by the Ministry, a copy of which is enclosed.

Comments on these guidelines are welcome and may kindly be forwarded to this Ministry, within 15 days by email/Fax.

Yours faithfully,

  
06.12.16  
(Ruth Changsan)  
Director/Works Planning,  
Railway Board.  
Email: [dwp@rb.railnet.gov.in](mailto:dwp@rb.railnet.gov.in)  
FAX : 011-23386944  
011-23097061

DA: As above.

Copy to :

All General Managers/Indian Railways for information.

# Draft policy on Indian Railways suburban rail systems

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## Preamble

1. Indian Railways (IR) primarily caters to the transportation demand for rail based passenger and freight traffic. In some metropolitan cities/ areas, suburban systems have also been built by IR historically. These cities have grown geographically over the years and IR in collaboration with the State Governments have taken up project for expansion of the suburban systems from time to time to cater to the demands of the commuters. IR is also running suburban train services in certain sections on the tracks laid primarily for long distance trains depending on the spare capacity available to handle commuter trains.
2. Given the increasing trend of urbanization, there is persistent demand for introducing suburban rail-based systems in more and more cities considering the advantages of rail being a safe, environmental friendly and faster means of travel.
3. The Railway Budget Speech for 2016-17, stated the following regarding suburban travel:

*"We intend to undertake a major programme to build an integrated suburban ecosystem of IR by launching a new investment framework. IR would share equity contribution with the State Governments and ensure cost neutrality on operations."*

4. In pursuance of the above and to address the demand of State Governments for suburban systems, Indian Railways intends to build integrated suburban systems by launching new investment framework in participation with the State Governments and to ensure cost neutrality on operations.

## Challenges in suburban rail travel

5. The augmentation of suburban railway systems result in the economic development of the area they serve and also lead to re-densification of the area along the alignment. However, these works have suffered on account of paucity of

funds with IR. Hence, quality of service delivery and recovery of costs remains areas of concern. State Governments are best placed to leverage the resultant economic development arising out of setting up suburban rail systems.

## **Objective**

6. The basic objective of this policy on suburban rail systems is to eliminate the conflict between the long distance intercity transport / freight transport and suburban transport and build a financially sustainable model with participation of stake holders so that it can be replicated in more and more cities. This model will involve participation of both the Central and State Governments and the systems that are subsequently set up may ultimately serve as nodal centres for integrated multimodal transport.

## **Key features**

7. Projects which are necessarily required to be integrated with the existing Railway system for operational purpose shall be considered by IR depending upon technical, financial and operational feasibility. In other cases, State Governments should take up independent rail based suburban projects under Metro Acts in line with National Urban Transport Policy. Since running suburban services on existing tracks adversely affects the capacity of freight trains and long distance trains, it would not be possible for Railways to use existing infrastructure for the purpose of suburban services. Exclusive tracks for suburban services shall be considered by IR.
8. The institutional structure envisaged for project implementation and operating the suburban rail system is that of a Special Purpose Vehicle (SPV) with equal equity participation from respective State Governments and IR.

## **Feasibility studies**

9. Feasibility studies for suburban projects, duly considering the technical requirements, site feasibility and operational requirements, shall be carried out by the State Government at their own cost. The capital cost of the project shall include the cost of tracks, buildings, signalling systems, rolling stock, and any other infrastructure required to commission the suburban system including

infrastructure required for proper maintenance of the system. It shall provide for adequate contingencies and escalation of cost to take care of inflation and interest during construction to arrive at the completion cost. The tariff revenues would be based on a Traffic Study specially commissioned for the purpose.

10. Feasibility report shall be examined by the concerned Zonal Railways for technical, financial and operational feasibility. After incorporating the suggestions of Zonal Railway, State Government shall submit the feasibility study for approval of IR. Based on request of State Government, IR will seek sanction of the competent authorities for the project.

### **Land**

11. IR shall provide land on lease basis where feasible as per extant rules to SPV after considering future requirements of IR. The complete cost of the land acquisition, leasing of Railway land and resettlement and rehabilitation (R&R) shall be met by State Government by either providing interest free subordinate debt to the SPV or from its own sources.
12. State Government shall ensure that the delay in land acquisition is not a cause for delay in commissioning of the project. Equity contribution of IR shall be made available to the SPV only after at least 70% of the land to be acquired for the project is made available by the State Government and the issues related to R&R are addressed by the State Government.
13. Proceeds from the commercial exploitation of land by the SPV shall be used by SPV for the project.

### **Costs**

14. SPV shall have equal equity participation by the State Government and IR. Total equity contribution in the project shall not exceed 40% of the capital cost of the project. Balance cost of the project is to be arranged by SPV through loan funds or any other source of funds, as decided by SPV. Guarantees for the loans to be taken by SPV shall be provided by the State Government.
15. State Government shall waive/reimburse the State / local taxes which will not form part of the project cost.

16. Any cost escalation due to changes in the statutory Central duties/ levies and exchange rates variation, etc shall be shared equally between IR and the respective State Governments. Any others cost escalation including escalations due to price escalation beyond that provided in the feasibility report, change in cost of land, change in scope of work or delay beyond the approved time cycle shall be entirely borne by the State Government.

### **Project execution and Maintenance**

17. Project shall be executed as per provisions of Railway Act 1989. SPV shall take up the project execution except works related to Overhead Equipment, Signalling and tracks which involve interface with the existing yards of IR or the works which are close to the existing tracks of IR. SPV will approach the Zonal Railways for execution of these works. In the event the SPV desires IR to execute the entire project; the same will be executed by IR on mutually agreed terms.

18. If any of the IR infrastructure / asset is used for project, IR shall be adequately compensated by the SPV as per terms and conditions to be mutually decided between IR and the State Government.

19. In the event the SPV desires to maintain the system, a separate agreement for maintenance of the network will be executed between the SPV and IR on mutually agreed terms and conditions.

### **Revenues**

20. All revenues will accrue to the SPV. Revenue collection can be done by SPV or IR as per mutual agreement. In case IR collects the revenue, it will give the surpluses generated from the project to SPV (if any) on yearly basis as per the arrangement to be decided mutually in advance.

21. O&M expenses, depreciation and revenue accrual to IR, as worked out by the Railways on a pre-decided arrangement with the SPV shall be binding on the State Government.

22. State Govt. would set up a dedicated urban transport fund at State level & city level through levy of dedicated taxes, levies, betterment tax, Impact fee, development charges and higher FAR in the influence Zone of proposed Railway

Stations to create a pool of resources for part financing capital cost of the project, replacement of assets and for providing operational subsidies for the project.

23. On request of SPV, IR may consider to restructure the fare and impose surcharge to recover the operating losses and capital cost, subject to agreement by the State Government authorities, if operating losses are not recovered from the dedicated urban transport fund. However, fare structure as decided by IR shall be applicable for operational phase of these projects in terms of provisions of Railway Act.
24. In case SPV is not able to repay the loan or not in a position to bear the revenue losses of the project (as and when it becomes due), the responsibility for the same shall be borne by the State Government.
25. SPV shall make provision for replacement of assets as per codal provisions and ensure timely replacement/ renewal of assets based on an agreement to be signed for this purpose. In case there is any shortfall of funds with SPV for replacement of assets, it shall be recouped by the State Government.

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