CHAPTER-II
EXISTING MARKETING STRATEGIES
OF THE INDIAN RAILWAYS: LITERATURE REVIEW

2.1 Changing Scenario of the Railways' Share in Freight Transportation.

The year 2002 was celebrated on the Indian Railways to mark 150 years of their service to the nation. Railway transportation has been a subject of study in India for a long time. However, the need for an in-depth study arose with the liberalisation of the economy in the 1990's when the controls and licenses of the government, on the various aspects of production and distribution of goods, started getting reduced.

Since the 1980's, Indian Railways had been following a policy of transporting commodities in 'Train Loads' rather than in 'Wagon Loads'. A trainload, normally, consists of about 2300 tonnes to 3500 tonnes of payload, depending upon the type, of commodity. A railway wagon, having eight wheels, can carry about 58 tonnes of material while each of the four-wheeler wagons, which have now been, almost, phased out, can carry only 22 tonnes of the same. The minimum quantity for transportation in the railways wagons, therefore, has increased from 22 tonnes to 58 tonnes over a period of time.

The Indian Railways adopted the policy of movement in Train Loads because of operational constraints and excessive movement problems of piecemeal freight wagons through a series of railway yards. After a detailed analysis of the situation in 1980s it was decided, that the Railways are not a suitable mode of transport for piecemeal or wagon load movement of traffic. The Railways, therefore, repositioned themselves as carriers of bulk traffic over long leads in 'Train Loads'. The policy of movement in 'Train Loads' has been a success on the Indian Railways despite the fact that the customers, who required freight movement in 'Wagon Loads' only, have shifted to the roadways as the mode of transport.

In the present circumstances, it is difficult for the Railways to change this policy. There are no signs of any change as seen from the successive budget
speeches of the Ministers for Railways. The Railways are, in fact, expecting the Container Corporation of India to load the piecemeal traffic, in containers of 40 feet or 20 feet length each, and move those by rail, after aggregating the containers into ‘Train Loads’ for various directions. The Container Corporation of India has a network of road cum rail facilities. They are offering container services to the customers who are interested in movement of freight traffic in smaller quantities.

Thus, for ordinary customers, due to the enforcement of the ‘Train Load’ concept by the Railways, the minimum quantity accepted, for movement, increased from a level of 22 tonnes to about 2200 tonnes – an increase of about hundred times. As a result, the small customers, who had only a few tonnes of material to be offered for transportation, had no choice but to shift to other modes, mainly, roadways, for transporting their goods. Poor development of roads in India, in the eighties and nineties, was a factor, which acted in favour of railway transportation, as, the customers, desirable of transportation of goods over longer leads, had few other options.

The opening up of the economy to the private sector, and their participation in building of roads, national highways & bridges, resulted in an accelerated development of road-ways in India. The Railways’ customers, particularly, those requiring transportation of small quantities over short and medium distances, upto 500 kilometres, found roadways as a quicker and more viable alternative.

With the improvement in the highways, some of the bigger customers of the Railways also found that the movement of freight traffic by roadways is cheaper. They started shifting the transportation of their goods from railways to roadways. The delay in the availability of wagons and the route capacity constraints of the Railways accentuated the problem and forced the customers to shift to other modes of transport.

It was, at this stage, that the Indian Railways got concerned over their falling share in the freight transportation and over losing the same, year after year, mainly, to the roadways.

Table 2.1 gives the changing picture of the Railways’ share in Freight Transportation.
Table 2.1  Trends in Road and Rail Share

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ROAD</th>
<th>RAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Billion Tonne Kms</td>
<td>Percentage share</td>
</tr>
<tr>
<td>1951</td>
<td>12.1</td>
<td>21.5</td>
</tr>
<tr>
<td>1961</td>
<td>29.8</td>
<td>25.4</td>
</tr>
<tr>
<td>1971</td>
<td>80.7</td>
<td>38.8</td>
</tr>
<tr>
<td>1981</td>
<td>161.2</td>
<td>50.4</td>
</tr>
<tr>
<td>1985</td>
<td>243.5</td>
<td>58.5</td>
</tr>
</tbody>
</table>

(Source: Asian Productivity Organisation 1995).

The Table shows that the share of the Indian Railways has come down from 78.5% in 1951 to 41.5% in 1985. The main reason for the Railways losing their share of traffic to other modes of transport, particularly, to the roadways, is the policy decision taken by the railways to move only bulk traffic in 'Train Loads', thereby, discouraging the movement of small and piecemeal traffic by rail. The falling share, however, still remains a serious concern with the railways because of reasons other than the adherence to the above policy.

Though the Railways have been increasing their quantum of freight transportation in absolute terms, the originating tonnage of the IR (Indian Railways) has grown at a rate which is slower than the growth of the economy as shown in Table 2.2: -

Table 2.2  Annual Average Growth Rate in GDP and Originating Tonnage of IR

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>GDP %</th>
<th>Originating tonnage on IR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sixth Plan</td>
<td>5.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Seventh Plan</td>
<td>5.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Eighth Plan</td>
<td>5.6</td>
<td>2.9</td>
</tr>
</tbody>
</table>

(Source: - RITES Report 1997)
2.2 Studies in Freight Transportation and Marketing Strategies

Due to their concern with the falling share in freight transportation, the Ministry of Railways assigned RITES (Rail India Technical & Economic Services) to conduct a study on *Decline in Railways' Share of Total Land Traffic*. In fact, the study was occasioned by the observations made by the Public Accounts Committee of the Parliament, in their 96th Report regarding progressive decline in the Indian Railways share in the total land traffic in India (for details see RITES Report 1997)

The study analysed the freight traffic flows of all commodities amenable to movement by rail. It also analysed the problems of line capacity on the various routes, which connect the cities of Delhi, Bombay, Kolkata & Chennai. It attempted to identify system limitations coming in the way of the Railways in maintaining their share of land traffic. It identified specific sections where transportation capacity is under-utilised, or estimated Origin-Destination (OD) flows, commodity group-wise, along with the long lead freight traffic, which had the potential of coming back to Railways but was moving by road at that time.

The study identified some of the factors that inhibited the marketing set up on the Railways. It redefined the role of the IR’s marketing organization. It also touched the issue of designing suitable packages for integrated road cum rail transport. It concluded that the Railways are not able to carry the offered traffic, especially, along the major routes. It was this inability to carry traffic, on demand, which pushed the potential customers to use the road transport as an alternative.

The study emphasised the need to recognise the fact that a level playing field has not been provided for the apparent competition between rail and road transport because investments in the Railways come out of public finance. This limitation of the Railways, severely, affects the quantum of money invested in the projects required to enable them to, effectively, compete with the roadways.

Apart from urging the Railways to develop the necessary capacity to cater to the increasing demand for rail transport, the report recommended that it is necessary to launch a major programme for upgrading freight terminals and improving terminal operations. This would help the Railways to have freight trains with dedicated locomotives. These trains can operate in a closed circuit
arrangement in order to regain the identified streams of traffic moving in bulk by other modes of transport.

Regarding the less than 'Train Load' traffic i.e. the 'Wagon Load' traffic, the study suggested that the Railways should work in close co-ordination with major road transporters to, effectively, organise a multimodal system for movement of domestic freight traffic. According to the study, the Railways should act as lessors of "moving space" i.e. wagons. They should leave other commercial aspects to accredited agencies.

This study deals with the transportation of all commodities by the Railways. It does not, specifically, cover the problems faced by the cement manufacturers or consumers in its transportation from the cement plants to the consumers' premises.

The study is about seven years old and it does not deal with the current position of the Railways when line capacity and wagon availability on the busy routes, i.e. the Golden Quadrilateral are no longer considered as major constraints by the Railways. However, the problem of fall in the share of rail traffic, in all the major high profit yielding commodities, continues to be a cause for concern for the IR.

Another study on "Competitiveness of Rail Sector in Movement of Steel" was undertaken by Manoj Singh (1998), a traffic service officer of the South Eastern Railway, on deputation, to the Container Corporation of India, Kolkata. The study was completed in the year 1998. It deals with the reasons of decline in movement of steel by the IR and, at the same time, delineates the strategies that the Railways need to adopt to arrest the trend. The study is focussed on the transportation of steel. However, it touches the constraints faced by the Railways and their customers in the transportation of other bulk commodities like cement, fertilizer etc. Some of the recommendations are also applicable to transportation of other commodities. These recommendations include the following: -

- multimodal solutions,
- containerisation of consignments,
- specialised wagons for transporting steel,
- changes in the pricing structure of IR freight,
- quick settlement of claims,
- making the commercial rules more flexible and unambiguous,
- providing greater operational flexibility to suit the customers' needs,
• reduced transit time.

The report also suggests that the Railways should have strategies specific to each Steel Plant to meet the individual needs of such major customers.

In November 1998, Rail India Technical & Economic Services (RITES) conducted a study titled, "Project Kilometerage" on Optimisation of Engine and Wagon utilisation by Indian Railways on behalf of the Ministry of Railways. This study attempted to optimise the engine usage and wagon kilometrage in freight operations on the Indian Railways. It deals, briefly, with coal, steel, cement and petroleum traffic on the IR but has its focus, mainly, on the operations, technology and planning for making operational improvements. The study has recommended some measures to arrest the decline in railways’ share of total national freight. These measures include: -

• Greater generation of internal resources by the Railways to finance development plans.
• Rationalisation of freight structure.
• Budgetary support for commodities carried below cost due to social obligations.
• Greater running of the Railways on 'business' considerations and shedding of non-essential functions and un-economic branch lines.
• Greater participation in railway projects by the private sector.
• Government of India should consider the Railways as an important constituent of the national infrastructure sector and grant them concessions as available to other constituents of the sector.

This study, however, does not recommend any marketing strategies which can be adopted by the Railways to improve their share in the transportation of total freight traffic.

analysis of the results of the survey was undertaken by them. The report
discusses the issues of freight rates on the Railways and the implications, thereof,
on the modal choice of the customers.

The above report analysed the reasons for dissatisfaction of the freight
customers of the Railways. It clubbed the various commodities carried by the
Railways and derived a composite satisfaction index for road and rail. The
weighted average score, based on a number of quality parameters, product
specifiers and hygiene factors, works out to be much higher for road than rail.

The report listed the key transport problems of the customers with the
Railways and classified them into two major heads, namely, operational &
commercial.

The report also made a comparison of mode choice i.e. Railway versus
Road Services. These include: -
- Terms and Conditions
- Reliability & Availability
- Waiting Time
- Procedural Variances.
- Losses and Damages.

This report gives the details of a case study done by them for Dalmia
Cements who were dissatisfied with the Railways due to the Railways'
bureaucratic approach and slow decision-making. It states that the customers of
cement, steel and fertilizers prefer road to rail for shorter leads even for ‘Train
Load’ movements.

The report, however, does not focus on the specific problems of the
Railways and their customers in the transportation of cement traffic. Nor does it
deal with the marketing strategies to be adopted by the Indian Railways for
recapturing some of their share of the traffic lost to other modes of transport.

In October 1999, Nalin Shingal, an officer of the Indian Railways Traffic
Service, submitted his doctoral thesis on “The Application of Stated Preference
Networks to the study of Inter-Modal Freight Transport Services in India “ (1999).
The thesis was submitted by him to the Institute of Transport Studies, University of
Leeds. (U.K.)

This study is an attempt to develop a methodology for identifying the
sectors where the domestic inter-modal services can be viable. It outlines the
strategies to be adopted for the success of inter-modal services for these sectors.
As a part of the chapter on “Status of Freight Transport in India”, it deals with the Indian Railways’ decline in market share. It states that, in terms of quality of service, Indian Railways stand a distant second to road services due to the rigidities in the Railways’ system of working and slow response to the customers’ needs coupled with a bureaucratic style of functioning. The report opines that the computerized Freight Operations Information System should go a long way in solving these problems.

The objective of the study was to develop a freight transport mode choice model for non-bulk goods covering rail, road and container services. The study confines itself to the Delhi-Bombay route only. It does not recommend any marketing strategies for transportation of any of the major commodities carried by IR viz. cement, steel, fertilisers etc.

The Cement Manufacturers’ Association, which represents the Indian Cement Industry, in its report entitled “Basic Data – 2001, Indian Cement Industry” (2001), has given the percentage of rail share and compared it with the roads’ share from the year 1996 to the year 2000. However, it has not analysed the reasons for the decline in rail share of cement traffic.


The report deals with the “Policy Imperatives for Reinvention and Growth” and encompasses the views of the Expert Group on the key issues facing Indian Railways. (Indian Railways Report, 2002). The issues are:

- the demand for and supply of the Railways services with their trends and prospects.
- the investment requirements of the Indian Railways, in the short term as well as in the long term, up to the year 2016.
- the plan for financing the investment requirements.
- the financing plan for the strategic high growth scenario.
- the restructuring of the Railways.
- the plan for ‘Reinventing’ Indian Railways.

The report lays stress on the need to segregate the commercial and the social roles of the Railways so that it can focus on each one of them separately.
and, hence, achieve the desired objectives in each function. It further concludes that IR has not been able to customize its offering to suit the changing needs of the customers and the external environment. It has suggested the integration of a clear strategy to be formulated with financial discipline and customer orientation.

Organisationally, the Expert Group has suggested an arm’s length relationship with the government i.e. the IR should be seen as a government owned corporation, headed by an Executive Railway Board, on top of which, a policy making Railway Board should be formed. The group has suggested a Rail Regulatory Authority and has defined its role in the proposed set up. It has also suggested a restructuring of the Indian Railways.

Regarding the transportation of cement, the report observes that, despite a significant increase in the cement production in the country, less and less of this traffic is moving by rail due to high costs involved in rail transportation and other dissatisfiers in the movement by rail.

As a marketing strategy in the freight area, the Expert Group has suggested that Railways should actively consider introducing a yield management system with variable pricing for customers based on dynamic demand situation. It has also suggested a strategy of efficient scheduling of freight trains along with the modernization of the Indian Railways.

Another report, titled, “Indian Railways – An Agenda for Change” was submitted by the “Railways Advisory Committee”, set up by the Ministry of Railways in May 2001. This report deals, mainly, with the restructuring strategy for commercialisation of the Indian Railways.

This report concludes that the corporatisation route for the Indian Railways is not appropriate in view of its complexity and size, the peculiar socio-political environment with a fractured polity and the resistance from the trade unions. It concludes that customer focus and the market forces should become the key driving forces for change. In order to achieve these objectives, it has suggested the creation of a “Railway Infrastructure Development fund” for an accelerated capacity augmentation project and a “Rail Regulatory Authority for Tariffs and Subsidies” for protecting the interests of rail users in terms of adequacy and quality of service and also for the introduction of competition on routes capable of supporting multiple operators. The report also lays down, in detail, a crash plan for rationalization of tariffs for the freight as well as passenger segments.
In the freight segment, the report recommends that Railways should become providers of “total logistics” rather than remain as rail transporters only. It suggests that the Railways should refine their marketing packages in the light of the experience gained by them so far. It has recommended changes in the Volume Discount Scheme, in addition to increased delegation of authority to the zonal administration for quotation of station-to-station rates. The report has recommended that containing of costs by the IR should be a mission area, which includes right sizing of manpower.

It has also recommended setting up of customer service centres to provide real time information about the railway consignments to the customers.

Parthasarathy and Chakravarty have dealt with the problems of the cement industry in detail. The book entitled *Cement Industry: The Emerging Scenario* (1988) explains why the cement plants in India have come up in the form of a few clusters. It deals with the future of cement production in India. In chapter II of the Book, the authors deal with the infrastructure concerns of the industry. They state that the dependence of the cement industry on the Railways for the transport of coal as well as the final product is very high in view of the long distances involved. They go on to highlight the capacity constraints of the railways, delays in supply of wagons, proposals for bulk movement of cement and introduction of mechanised loading and unloading with modified wagons and improved terminal facilities.

Chapter V of the Book deals with “Transport Logistics”. The authors argue that, as the fixed costs of the Railways are high, it is more economical for Railways to move large quantities over long distances by intensive use of their resources like locomotives, wagons and track capacity.

The comparison between transportation of cement by rail and road also forms a part of this chapter. It is concluded that road transport becomes costlier in comparison to rail transport beyond a certain lead. The break-even point for freight, in rupees per tonne, between road and rail is about 400 KMs. However, the road transport is more flexible in its rating than the railway transport. Availability of return traffic to the trucks is an important factor in determining the road freight between any two points while the railways charge telescopic rates based only on the lead of the traffic. The authors state that the road transport is becoming cheaper with the emergence of freeways, and, heavier, multi-axled trucks. The inherent advantage in road movement is the roadways’ ability to provide door-to-door facility.
This chapter also highlights the problem faced by the cement industry with the Railways and suggests some ways to solve them. These suggestions include improved terminal operations, improved design of wagons, mechanisation of loading and unloading operations, closed circuit operations of dedicated trains and private sector participation in the procurement of wagons for movement of cement.

The movement of cement in bulk, Own Your Wagon Scheme of the Railways and captive rail system are discussed in this chapter. The movement of cement by inland waterways and coastal shipping is also, briefly, covered.

Chapter IX of the book has a focus on the "Changing Marketing Scenario". In this chapter, the authors highlight the changing nature of the cement market. The future in India, they feel, belongs to Ready Mixed Concrete (RMC), which is the trend all over the world where 50-80% of the cement is sold as RMC, directly, to the building sites. They feel that, in the near future, the cement industry in India should be able to export cement in bulk and compete in the international market.

This book has highlighted the difficulties of the cement industry with respect to railway transportation but has not suggested any marketing strategies for the Railways to improve the rail share in the transportation of cement.

Memorandum to Chairman Railway Board (May 2002)

Kamal Kishore, the Executive President of Maihar Cement, located in Satna District (M.P), and also the President of Madhya Pradesh Cement Manufacturers' Association, Satna, on behalf of the above association; submitted a memorandum to the Chairman, Railway Board.

The memorandum highlights the fact that freight is a major component (15-20%) of the retail price of cement. Over the years, this freight has risen disproportionately, to the road freight. The steep rise in freight by rail has forced the industry to establish split-located grinding units in high consumption markets and move the finished product i.e. cement by road over short leads. (Kamal Kishore 2002)

The memorandum states that the measures taken by the Railways, in the past, to meet the expectations of the cement industry have not been sufficient to retain the Railways' share of cement transportation. It points out inadequacies in the Volume Discount Scheme of IR and complains of denial of retention discount to the customers. It has suggested that the IR should open more destinations for
two point rakes and also allow the latest BCN type wagons to be loaded to these destinations.

It suggests permission by the Railways for moving more cement in mini-rakes, i.e. rakes with smaller payload, for various destinations, timely supply of wagons even to difficult areas for railways and the development of adequate terminals with godown facilities along the unloading lines. The above association made a presentation through its president, Shri Kamal Kishore, at the Railway Staff College, Vadodara in June 2002. This presentation was titled “Cement Industry & Indian Railways: Vision 2025”. This document gives a profile of the cement industry and projects a growth rate of 6.6% per annum. The report states that the domestic demand for cement, by the year 2025, will be of the order of 450 million tonnes. In this report, the author has identified ‘Fly Ash’ as a new item of transportation for the manufacture of cement. Similarly, transport of pozzolana from powerhouses and slag from steel plants to consuming centres is likely to provide new avenues for rail movement. (Kamal Kishore, 2002).

The Ministry of Railways have published two “Status Papers” on Indian Railways (1998, 2002). The first one was published in May 1998 and the second in May 2002, after a span of four years. Both these papers highlight the issues and options before the Indian Railways.

The Status Paper, of 1998, discusses the loss of market share by the Indian Railways. It states that railway transportation is more energy efficient and environment friendly and, if more traffic is moved by the Railways to the extent of 60% of the total traffic, it will result in a saving of Rs.5300 crores to the nation.

The paper highlights the need to sharpen the marketing capability of the Indian Railways through constructive pricing mechanisms and tariff rationalization as also through customer focus. However, these papers do not detail the customer focus strategies to be adopted by the Railways. The marketing strategies for improving the share of cement transportation have not been discussed in any of the two Papers.

In March 1994, an expert committee, set up by the Railways, headed by Prakash Tandon and submitted its report to the Ministry of Railways. It was meant
to study the "Organization Structure and Management Ethos of Indian Railways" (1994).

According to this report, the Railways should widen their vision and regard themselves to be in the business of transportation and not railways alone.

It suggested that Railways will have to develop an integrated transportation system both for freight and passengers. However, in order to implement these strategies, the committee felt that the Railways needed to be restructured, on business lines, starting from the Railway Board's level.

This report was discussed, at length, on the Railways. Finally, the Railways decided not to implement the report.

In 1998, a study on "Marketing of Freight Traffic on Indian Railways with special reference to Kota Division of Western Railway" was undertaken by L.R. Thapar.

This study deals with the marketing strategies, which the Indian Railways need, for attracting piecemeal freight traffic, which has come down to almost negligible levels. This traffic includes a number of high rated commodities, which were, earlier, moving by rail in wagonloads. However, since the 1980s, the Railways adopted the policy of transporting, mainly, "Train Load" freight and the movement of the "Wagon Load" freight suffered a severe set back. As a result, most of the customers switched over to the roadways over a period of time.

The analysis of the reasons for the fall in the share of piecemeal traffic on the Railways will be relevant to the present study. However, the study does not deal, specifically, with the transportation of cement traffic, which is, largely, moved by the Railways in Train Loads.

M/s A.F. Ferguson conducted a study on Development of Marketing Model for the Pilot Project on Utilization of Empty Coal Wagons, 1997 for the Ministry of Railways. The terms of reference of the report also included:

a) Identification of key service parameters for the service product such as:
   ◆ Transit Times
b) Analysis of competitive scenario to assess the strengths and weaknesses of IR in terms of:
- Service Parameters
- Economies
- Infrastructure
- Likely changes in Competition

c) Formulation of a market strategy for the pilot project in terms of:
- Options for service product mix
- Benchmarks for service parameters vis-à-vis competition
- The changes required in the IR infrastructure and operating procedures
- System required.

The report analysed the pattern of traffic according to the terms of reference and suggested the following marketing strategies for the Indian Railways:

- Enter Semi-Bulk and Parcel Segment.
- Reorient towards offering complete transport service rather than just wagon space.
- Service Institutional customers separately by a single point contact and small customer through freight forwarders etc.
- Cater to commodity specific transportation needs by reorienting level of transport product for each commodity cluster.
- Reorganise logistically to service the dispersed market and improve infrastructure accordingly.
- Improve service levels being offered to customers to match if not better the competition.
- Bring about changes in wagon design to transport semi-bulk and parcel segments.

The report further identified the core service parameters as:
- Suitable freight rates.
- Availability of wagons
- Scheduled delivery must be adhered by the Indian Railways. In addition, it observed that assurance on pilferage shortage and
damages are also very critical irrespective of the commodity offered by customer.

The report recommended commodity specific action plans to attract these commodities from roadways to utilise the empty flow of wagons from the northern India to the eastern region.

Another report published by National Economic Research Associates for the office of the Rail Regulator, London (U.K.) identified the Potential for Rail Freight in the United Kingdom (The Potential for Rail Freight, 1997). This report studied the reasons for fall in the rail share of freight traffic in British Railways and identified price, service quality, reliability and flexibility as the factors, which are important to the customers of rail freight in Great Britain. The report recommended that additional freight traffic brought back to the railway system should be charged at a rate very close to the marginal cost.

T. Stanley Babu, the then Chief Operations Manager of Southern Railway, gave the following suggestion for a customer friendly freight marketing policy:

- Acceptance of conditional indents by Railways.
- Wagon supply as per customer's choice.
- Permission by the Railways to change destinations of freight indents without any penalty subject to normal restrictions in force.
- The system of payment of freight, by the customers should be made more rational and convenient for the customers.
- Volume Discount Scheme should be extended to coal, petroleum and fertilizer traffic
- The Railways should provide total transport solutions at competitive freight rates.
- Development of a network of railway agents who will act as the interface between the Railways and their customers.
- Rules for working of sidings should be made customer friendly.

The above suggestions are general in nature and do not, specifically cover the marketing strategies needed for improving the Railways' share in the transportation of cement.

The Centre for Transportation Research and Management, New Delhi, organized a National seminar on “Pricing of Transport Services” at New Delhi on 11th Feb. 2000. In this seminar, G.K.Kanchan, a former Additional Member
(Planning), Ministry of Railways, presented his views on "Cement Industry - Opportunities and Aspirations ".

He discussed the problems faced by the cement industry and the transportation of cement by rail. He argued that there is a case for the Indian Railways for lowering cement freight rates to cost plus reasonable profit. He criticised the Railways for the poor service conditions and their total disregard of customer service approach. The railway rules and procedures, according to him, have become demarketing strategies. He deplored the lack of simplification and decentralization of authority on the Railways.

The Railways, according to him, must overcome the above shortcomings and become more customers focussed to avoid loss of market share in cement transportation.

Kanchan also discussed the issues of cement transportation with Rakesh Mohan who submitted a report titled "The Indian Railway Report" to the Railway Board. In this meeting, he made the following suggestions for the Railways: -

a) The Railways can improve the share of cement transportation by improved marketing strategies. The result should be seen as a relationship between the increased production of cement per month and the increased loading of cement achieved on the Railway.

b) The Railways commercial rules should be simplified on the principle that the "Customer Is Right ".

c) Elimination of cross subsidization and reduction of freight rates to become competitive with road.

d) Railways should establish transparency about the cost of service. The price of transportation should be related to the marginal cost.

e) Increased use of information, particularly, in the sidings of a large number of customers where information can be exchanged on Fax, thereby, eliminating delays.

f) The 1989 Railway Act should be made customer friendly.

g) The Railways should have a system of penalty on itself if it fails to supply wagons in time.

h) The Railway transportation system should involve the industry. The industry should not be dependent on the vagaries of the thinking of the Railways alone.
Railway should not impose frequent restrictions to inhibit the free flow of goods. If there are constraints, at the terminals or enroute, the Railways should develop adequate line/terminal capacity.

The Railway must give a reasonable guarantee of transit time so as to eliminate the inventory cost to the customers.

The settlement of claims on the Railway should be streamlined. Genuine claims and the settlement of the claims should be done within a reasonable time.

In another lecture, organised by the Institute of Rail Transport, the following suggestions were made by G.K. Kanchan.

- Siding rules are outdated and are heavily biased towards the Railways. These should be revised and be made customer friendly.
- The carrying capacity of wagons should be fixed in a realistic manner based on the commodity to be carried.
- The cost of private sidings made by the Railways for their customers is prohibitive. It is not related to the quantum of the traffic to be carried from/to the sidings.
- The sidings should be given a credit/debit system for levying demurrage on wagons dealt with in the siding. This system should adjust the debit/credit on a monthly basis. Such a system has been accepted for steel plants but has not been extended to the cement plants by the Railways.
- A guarantee of clearance of the traffic should be given by the Railways to the cement industry.
- The concept of idling of wagons should be properly defined by the Railways keeping the customers’ interests in view.
- The rationalisation order of the Railway should be scrapped. The goods must be carried by the shortest route and charged by the cheapest route.
- The young officers on the Railways must be encouraged to take policy decisions concerning the organisation.

Ambuja Cement Corporation gave the following suggestions in a meeting held with the Railways on 1st July 1998:

- Payment of the Railway staff in the sidings should be made by the Railways and not by the customers.
• Time and motion studies for the various siding, as per the Railway Board’s circular of 1995, should be completed by all the Railways at the earliest. Reasonable free time should be given to the sidings for handling the wagons.

• The rules for gauge conversion of a siding, where the Railways have decided to convert the main line section from MG to BG, should be revised. The cost of the construction of the siding should be borne by the Railways.

K. Neelakanthan, a retired Officer of the Indian Railways Traffic Service, in his article on "Movement of Bulk Traffic – A case for Realistic Appraisal of Freight & other Charges" published in the Rail Transport Journal (January to March 2000) stated that the Railways are, inherently, suited for bulk movement. Most items of such bulk movement are profitable for the Railways.

He recommended that, as a marketing strategy for their bulk customers, the Railways should:

♦ Abolish siding charges.
♦ Post commercial and train examination staff at the sidings at the Railways’ cost.
♦ Provide an incentive for faster release of wagons over the norms fixed.
♦ Reduce the minimum distance for charge keeping in view the present patterns of movement of bulk traffic.
♦ ‘Train Load’ rate is a lower rate. Its benefit should be given to all commodities moving in trainloads irrespective of the handling capacity at the unloading terminals.
♦ Modify the ‘Train Load’ concept to make it customer friendly.
♦ Standardise the chargeable weight for various types of wagons.
♦ The Rationalisation Order of the Railways should be amended so that customers are not charged more freight in case the traffic has to be moved over a longer route due to railways’ operational constraints.
♦ The Railways should lower the freight rates by reducing costs. This can be done by stopping the subsidy given to passenger traffic by increasing the freight traffic rates of commodities moving in bulk.
The strategies suggested above are of a general nature and need to be examined for their applicability to the transportation of cement traffic on the Indian Railways.

A research article on “Service Quality Measurement – The Case of Railways Freight Services” was published in Vikalpa-Vol.25 No.3 in July-September, 2000.

The article authored by G. Shainesh and Mukul Mathur, mentions about ‘RAILQUAL’ – a 50 item instrument for measuring the quality of service. It is based on the concepts of quality of service developed by M/s A.Parasuraman, V.A. Zeithaml and L.Berry.


He has suggested the following action plan for the Railways:

- Railway freight pricing has to be in tune with cost and price of competing transport sectors.
- Cross-subsidisation of passenger traffic services should be reduced to a minimum by reducing freight service rates.
- Preferential Traffic Schedule of the Railways should apply to only 10% of their wagon fleet. The rest of the wagon fleet should be committed on contract to individual customers.
- The Railways should give more concessions to customers having a higher share in rail traffic.
- Demurrage should be an incentive. It should not be punitive.
- Railways should have strategic tie-ups with the warehousing industry.
- Introduce ‘e-commerce’ for dealing with major freight customers.
- The Railways should move away from rail orientation to transport orientation.

The suggestions given by Thoopal, however, need to be examined in detail as far as the transportation of cement by rail is concerned.

ET Intelligence Group published a book on “Supply Chain Logistics 2002” containing an article on “Travails of Cement Travel”. It highlights the fact that high distribution expenditure is posing a significant problem for cement manufacturers who are devising ways to cut costs. The article adds that waterways carry only one percent of the cement production of the country. As a result, the cement movement in India is dominated by road and rail travel.
According to the study, the share of transportation of cement by road has increased over the years due to the following reasons: -

• Wagon availability on the Railways has not improved.
• Road transport is more flexible.
• Rail travel is economical only for longer leads beyond 350-400 kms.
• The current trend is to localise manufacture and distribution of cement.
• Rail transportation is possible only where a company has to transport at least 55 tonnes to a place, which is more than 350 kms away from the loading point.
• Due to double handling, there is a loss of 2% of cement in transit even though railway transportation is faster. (A train travels about 1100 kms per day as per the World Bank records).

The article concludes that the cement manufacturers must maximise bulk movement of cement to make its transportation more economical. However, it does not go into the marketing strategies to be adopted by any mode of transport for increasing its share.

The Railway Staff College at Vadodara, held a seminar on “Indian Railways – Vision 2025” in June 2002. A set of papers was read on “Transport, Markets and Competition - Freight”. In this seminar, a number of speakers presented their views.

In this Seminar, A.Ramji, ex. General Manager of S.E. Railway and currently, Adviser to RITES suggested that:

• Railways have to become part of the supply chain and provide logistics along with seamless services, which the customer demands.
• Strategic partnerships as well as incentives for user funding, a professional business culture and rationalisation of the tariff structure, incorporating a market driven flexible pricing system, are essential for Railways.
• The change process on the Railways should be constituted of organizational restructuring and visionary leadership.

Ashok Awasthi, the then Chief Operations Manager of the Central Railway, stated that the Railways should:-

• Be a total solution provider.
• Offer warehousing/storage
• Offer special type of wagons for special commodities.
• Have a system of consignment tracking.
• Offer a rationalised Railway Freight Structure.
• Have different rates for different customers.
References:


Manoj Singh, 1998, Competitiveness of Rail Sector in Movement of Steel, (New Delhi: Indian Railways)


Kamal Kishore, 2002, Madhya Pradesh Cement Industry and the Indian Railway (Satna: Madhya Pradesh Cement Manufacturers’ Association)


R.K. Thoopal, 2000, Vision 2010-Indian Railways (Jabalpur, Madhya Pradesh: West Central Railway)

Cement Map of India
(Large Plants)
As on 31.12.2002

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>State</th>
<th>No. of Plants</th>
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<td>3.</td>
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<td>Chhattisgarh</td>
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<td>Uttar Pradesh</td>
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<td>14.</td>
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<tr>
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