CHAPTER VII
PROPOSED MARKETING STRATEGIES AND DIRECTIONS FOR FUTURE RESEARCH

The present marketing mix of the Indian Railway is not perceived to be friendly as well as optimal by the cement industry. The reasons for dissatisfaction of the industry with each element of the marketing mix have been discussed in chapter V. A summary of the findings and the conclusions emanating from these findings has been given in chapter VI. Based on these conclusions, the strategies that can be adopted by the Railways to attract more cement traffic by rail and thus improve the Railways' share in the total transportation of cement in India, can be suggested. Strategies have been suggested for each element of the marketing mix after analysing the views of the cement industry.

7.1 Pricing

The most important factor in the pricing strategy is the railway freight from the loading station to the unloading station. As already explained, the cement industry is not taking the railway freight into account alone, while comparing the transportation cost with the roadways. They are taking the total delivered/landed cost for a particular dealer or a group of dealers, in a certain area, fed by a railway station/goods shed.

The total delivered cost includes the railway freight and:

i) Handling charges at the destination station.
ii) Secondary freight from the railhead to the dealer's premises.
iii) Demurrage, wharfage, shunting and other charges.

These costs are taken into account for comparing with the transportation cost by the Railways alone because the road movement does not involve these costs for the cement companies.

Our findings suggest that, for short lead destinations, the total landed cost is higher by about thirty percent for rail transportation as compared to the same for roadways. However, for other destinations, the Railways are costlier by about twenty percent.
Steps Taken by the Railways to Reduce Freight

a) As announced by the Minister for Railways, in the Railway Budget 2003-04, the Railways have taken some initiatives to reduce their freight rates by rationalising their rates in an effort become more competitive. Instructions have been issued by (Railway Board, 2003, Rates Instruction 11). Cement has been given a classification of 135 for ‘trainloads’ and 140 for ‘wagons loads’ as against class 140 and class 145 respectively in the previous year.

b) For short lead traffic, booked up to a distance of 100 kilometers, the charging of freight has been rationalised as under (Railway Board, 2003, Rates Instruction 11):

<table>
<thead>
<tr>
<th>Distance Slab</th>
<th>Freight Concession</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-50 KMs</td>
<td>50%</td>
</tr>
<tr>
<td>51-75 KMs</td>
<td>25%</td>
</tr>
<tr>
<td>76-90 KMs</td>
<td>10%</td>
</tr>
<tr>
<td>91-100 KMs</td>
<td>0Nil</td>
</tr>
</tbody>
</table>

c) The “To Pay” surcharge on normal freight rate has been reduced from 10% (Ten percent) to 5% (Five percent) for booking of all commodities other than coal (Railway Board, 2003, Rates Instruction 11).

d) Approved combinations of block rakes consigned to two destinations will be granted the benefit of “train load” rate for the entire distance of transportation on end –to-end basis (Railway Board, 2003, Rates Instruction 11).

e) It has been decided to permit clubbing of consignments through issue of a maximum of 12 (twelve) Railway Receipts for a broad gauge 8-wheeled wagon. (Railway Board, 2003, Rates Instruction 11). A documentation charge of Rs. 100/- per additional railway receipt shall be levied when more than one receipt is issued.

As a result of the above policy initiatives, the Railways have reduced the freight rates of cement to some extent. About four percent reduction has come as a result of the reduced classification of cement from class 140 to 135 (Railway Board, 2003, Rates Instruction 11).
The reduction in freight for short leads up to 75 kilometers, is not very significant for cement traffic, because, according to our findings, there are, hardly, any destinations to which cement is moved by rail within a lead of 75 kilometers.

Granting of 'Train Load' freight for two point block rakes, for the entire distance of transportation on end-to-end basis, will reduce the total freight paid for such rakes by the cement customers to a small extent. This decision, however, fulfills a long pending demand of the cement industry and will help in attracting some more cement traffic for the Railways.

(a) Station to Station Rates Scheme

The Ministry of Railways has followed a strategy of granting concession on freight for cement traffic, on a case to case basis, by empowering the General Managers of the zonal railways to grant Station to Station rates concession on commodities, classified from class 110 to class 135, up to a maximum of 12 per cent, on the incremental traffic which is, at present, not moving by rail. A benchmark has to be fixed for the rail user based on the traffic moved by rail by that user, for the last three years. Cement is classified by the Railways at class 135. Thus the zonal railways can offer a discount, up to 12 per cent to individual users to encourage movement by rail (Railway Board, 2002, Rates Instruction 36).

Rates Instruction 36 of 2002 requires the zonal railways to calculate the fully distributed cost of carrying the traffic by rail and ensure that there is an overall increase in the revenue earned from a particular rail user after the concessional freight has been allowed to him. Only in cases of idling of assets, can the zonal railways take the marginal cost as a basis for granting the concession within the overall ceiling of 10-12 per cent.

Thus, with effect from the financial year 2003-04, taking the freight reduction of about four percent due to reduced classification, the maximum freight concession for cement traffic, comes to about fourteen per cent for the retention of existing traffic and sixteen per cent for the incremental traffic:

The above railway freight rebate strategy has to be viewed in the light of our findings that the rail transport is costlier by 20 to 30 per cent as compared to road movement if the landed price of cement is taken into account.

We shall analyse what the Railways can do to bridge the gap between the maximum offer of freight concession by the Railways and the minimum concession that the Cement Industry would like to have to move cement by rail. The findings in Chapter V show that the total landed price of cement, including the
railway freight, is higher than the landed / delivered price of cement, if moved by road, to most of the destinations. However, the difference is more pronounced in cases of short lead movements up to 350 kms. For longer leads, the difference is less and, in a few cases, the Railways are, in fact, cheaper.

We can, therefore, conclude that it would not be advisable for the Railways to reduce the classification of cement any further, i.e. below the existing classification of 135. To give relief to the cement customers, in individual cases, the strategy of granting concession through the Station to Station Rates scheme is, basically, in order. This scheme delegates the powers of the Railway Board to the General Managers in order to give freight concession, up to a maximum of 10 per cent, for retaining the existing traffic. This limit of 10 per cent needs to be removed. Full powers should be delegated to the General Managers to grant concession under the Station to Station Rates scheme. The guidelines of the scheme, regarding recovering the fully distributed cost from the traffic, after the grant of concession, should continue in cases where concession is not being granted to avoid idling of assets. Where there is idling of assets, the Railways should recover, at least the marginal cost of transportation. For this purpose, the system of calculating the cost of rail transportation should be made uniform on the zonal railways by issuing detailed guidelines from the Railway Board.

The cement industry have pointed out that the Railways take a long time, in finalizing the requests for grant of concessional rates due to bureaucratic delays. Their suggestion that the concession should be applicable to the traffic offered by them, for rail movement, from the date they apply to the Railways, therefore, has a lot of merit and should be seriously considered by the Railways.

(b) The Volume Discount Scheme

This scheme, originally, issued under, Rates Instruction no. 91 of 2000, was again issued for the period 1/4/2001 to 31/3/2002 (in two halves) by the Ministry of Railways on 8.03.2001 (Railway Board, 2001, Instruction 25). However, this scheme was not favoured by the cement companies as it did not give any concession for retaining the existing traffic by rail unless, the consignor increased his traffic offered, by rail, by more than 5 per cent over the benchmark which is formed on the basis of highest level of cement traffic moved by rail over the past three years. Traffic moving under concession was not considered eligible for attaining the above condition of 5 per cent for calculation of incremental traffic on which the discount would be granted. The scheme, has therefore, not been
extended by the Railways beyond 31st March, 2002. There does not appear to be any need for extending this scheme, in future, as the cement companies also did not find it useful.

The Railway Board have now introduced an incentive scheme for the premier customers of the Railways, generating freight earnings of more than Rs. 25 crores per annum from the traffic originating from their private sidings. A rebate of 2 percent will be granted to such customers on every Rs. 5 crore of ‘net’ additional freight earnings over the preceding financial year. This rebate will be allowed in addition to any other freight concession availed by them. This scheme should be continued.

**Handling Charges at the Destination Station and Secondary Freight**

These two elements form a sizeable portion of the total landed price of cement if moved by rail. In a large number of cases, these elements add about a hundred rupees per tonne to the basic railway freight. These elements form about 25 per cent of the total landed price of cement. Our analysis, in Annexure 16, shows that the cost of handling of cement at the destination is a little less than half the cost of the two elements taken together.

The above two elements i.e. the handling charges at the destination and the secondary freight, can be reduced to a very large extent if the Railways provide warehousing facilities at the goods sheds/sidings. The Railways have taken an initiative for setting up privately managed terminals. They have also come up with another scheme for provision of warehousing near the common goods sheds. An official circular, regarding private terminals, has been issued by the Railways (Railway Board, 2001, letter dt. Aug.02) The Railway Board have issued another circular for the provision of warehousing facilities by the Central Warehousing Corporation Ltd. (Railway Board, 2001, letter dt.Jul.27). A pilot project by the Central Warehousing Corporation Ltd. (CWC) setting up a warehouse in the railway area has come up at Whitefield, (Bangalore). The Railways have decided to develop around 20 such terminals at different locations for handling commodities like cement, fertilizer etc. where CWC, has been asked to develop warehousing by entering into an agreement with the zonal railways.

The experiment of handling of this traffic at the Whitefield terminal, near Bangalore has been a success. Traffic handled at this terminal has gone up by 42.7 % within a period of one year in 2002-03 as compared to 2001-02 (SW
Railway, 2003, Statement dt. Sep. 08). This shows that the terminal has fulfilled a need of the industry, including the cement customers, and has also become popular. The Railways should continue this strategy and also increase the number of terminals where such warehousing is provided. The privately managed terminals would also be helpful in creating warehousing and providing the desired facilities to the cement customers. However, a pilot project planned for this purpose as Garhiharsuru, near Gurgaon (Haryana), has not yet started functioning. The success of this policy has, therefore, still to be gauged.

The provision of warehousing facilities will reduce the cost of handling at destinations and the secondary freight, for the cement industry by about 15%. The difference between road freight and the landed cost by rail mode has also ranged from 15 to 20% for the cement industry. The strategy of providing warehousing terminals is, therefore, very useful for the Railways and will make them compete better with the roadways, in the near future.

Siding and Shunting Charges

Siding charges are levied by the Railways on such wagons as are placed in the private/assisted sidings owned by the customers. Almost all old cement plants are served by private sidings, wherein, wagons/rakes are placed for loading. Most of the cement is loaded in bags, which are directly moved from the bagging plant, through conveyor belts and chutes, into the wagons. The bags are, then, manually, stacked inside the wagons. The time taken for loading a wagon is, therefore, directly, proportional to the speed of bagging.

The concept of siding charges is prevalent on the Indian Railways as each siding is connected to and is, served by a particular station. The Railways have been, so far, charging the freight only upto the serving station. The extra effort required for sending the wagons to the private siding and removing the same to the serving station, therefore, attracts additional charges which are known as siding charges. These charges are fixed by the Railways and are levied for handling of wagons inside the private siding as per the agreement signed between the Railways and the customer.

In most cases, the siding owners deploy their own locomotives also for movement of wagons from the serving station to the siding and back. In case, however, this work is to be performed by a locomotive owned by the Railways, shunting charges have also to be paid by the siding owner. These charges are
also fixed by the Railways and are based on the type of locomotive provided by
the Railways, and the time taken for placement and removal of wagons from the
siding to the serving station.

The cement companies, in the interviews held by me, and also in their
representations to the Railways, are of the view that these charges increase their
cost of rail transportation and make the rail alternative costlier.

The Railways have considered the views of the cement industry. They
have a policy of treating the private sidings as terminals stations (Railway Board,
1993, letter dt.Oct.22). For such sidings, as are considered terminals, the freight
is levied for the entire distance, up to the dead end of the siding, considering the
siding as an extension of the serving station. This facility entails only a negligible
amount of additional freight charges as compared to the siding and shunting
charges, which are no longer leviable for sidings, which are, specifically, approved
by the Railways for the grant of this facility. However, all cement sidings would
not become eligible for availing this facility unless they are or remodelled to
ensure direct reception/dispatch of the full rakes. The present layout of most of
the old cement sidings will need to be suitably altered to avail of this facility.

The cement industry have demanded that the Railways should also share
the financial burden for remodelling the sidings to receive/ dispatch and handle full
rakes. So far, the Railways have not come up with a policy to this effect.

As a strategy, therefore, the Railways should weigh the likely benefits
accruing to them in the form of additional traffic / revenue from each siding against
the cost of sharing the remodelling expenses for that siding. The objective should
be to develop a long term relationship with each siding owner for improving the rail
share of cement traffic. If the benefits exceed the costs, the cost should be shared
after examining individual cases.

Cost of Gauge Conversion, Electrification and Railway Staff Posted in the
Sidings

The conversion of gauge and electrification of routes is an operational
decision of the Railways. However, it affects the cement siding owners because,
as per the Railways policy (Railway Board, 2000, letter dt. Sep.29) such cost
should be borne by the siding owners. The Railways can pay for the cost of
Railway electrification, if the siding owner is not agreeable to bear its cost and the
traffic available from the siding makes the investment financially, remunerative,
giving a return of 14 percent on the investment made by the Railways (Railway Board, 2000, letter dt. Sep. 29).

Gauge conversion, on the other hand, makes it difficult for the siding owners to dispatch their cement by rail from their sidings unless the gauge of the siding is also converted. Otherwise the traffic has to be loaded from the nearest goods shed. In either case, it involves extra cost to be borne by the cement siding owners.

The Railways should, therefore, review their policy on the above issues and have a dialogue with the cement industry in order and share the cost of gauge conversion on, mutually, acceptable terms. In fact, wherever, possible, the grant of the benefit of through distance till the dead end of the siding, the electrification and the gauge conversion should be discussed and decided as a package deal between the siding owner and the railway administration for each case so that the cost of remodelling, electrification and gauge conversion, wherever required, is shared by the two sides. However, the Railways should first of all decide, to have a policy for such cost sharing in principal.

Regarding the cost of operating, commercial and train examination staff being paid by the cement siding owners, the Railways have taken the initiative to reduce the strength of such staff in the sidings in a phased manner (Railway Budget 2003-2004). The viewpoint of the cement industry that the Railways, and not the customers, should bear the full cost of such staff should be accepted by the Railways.

Demurrage and Wharfage Charges

Demurrage charges are levied on the wagons placed for loading as well as for unloading of consignments. If the consignments have been unloaded in the railway goods shed premises, wharfage charges are levied if these are not removed from the railway premises within the free time allowed by the Railways.

At the loading point, demurrage charges are attracted for extra detention to wagons in the cement sidings. Some of the reasons for extra detentions are, the limited loading capacity or speed of the loading arrangements in the cement plant and also the lay out of the siding. These arrangements, in most of the cement sidings, are quite old and investments are required for upgrading these, if the free time for loading, provided by the Railways, has to be attained. The Railways allow 10 working hours free time for loading of a rake of 40 eight wheelers covered
wagons with cement. The quantity of cement carried in these wagons is about 2300 tonnes. In other words, the loading arrangements, at the private siding, should be capable of loading more than 230 tonnes per hour if the shunting time for repositioning of the wagons at the loading platform is also taken into account. Most of the cement plants are taking about 24 hours to load the above quantity of cement, thus incurring demurrage charges for about 12 hours per rake.

A similar situation prevails at the unloading points regarding the levy of demurrage charges. The unloading is done manually and the removal of the cement consignments is done by loading the bags into road vehicles.

The free time for removal of consignments is 12 working hours (Railway Board, 2000, letter dt. Oct. 16). Wharfage charges, generally, do not get levied because adequate arrangements have been made by the cement industry, at the unloading points, for removal of the consignments.

Demurrage charges, at the loading points in the cement sidings, can be reduced to some extent by remodelling the siding lay out. For this purpose, the Railways should share the cost with the concerned siding owner after ensuring that the new layout and system of loading will result in loading at the desired rate. At the unloading points, which are mostly in the railway goods sheds, the Railways need to pay attention for providing proper approach roads and circulating areas in addition to the provision of covered sheds at the major cement unloading sidings. The new thinking on the Railways has already given an increased emphasis on the development of terminal facilities. More funds are also being allocated for this purpose. However, the cement industry is still not satisfied with the arrangements made at the unloading points. They feel that the Railways need to provide the above facilities at the terminals, immediately, to reduce levy of demurrage charges which impose extra cost on the cement industry. As the Railways will need some more time for improvement of the terminals, they will have to take a more sympathetic view of the problems faced by their cement customers while loading/unloading and removing the cement consignments, particularly, during the rainy season as well as in extreme hot/cold weather conditions.

Settlement of Claims

Cement Industry is finding it difficult to deal with the Railways for settling their claims. The time taken, by the Railways for this purpose, according to them, is very high. A large number of cases have also been filed by them in the Railway
Claims Tribunals because the delay in settlement is more than three years. This is an area that needs immediate attention by the Railways. The present system of settlement of claims involves fixing of inter-railway liability by the Railways in cases where claims of more than Rs. 25,000/- each have been lodged. A lot of time is consumed for fixing this liability. Only after this process, the finance Department of the Railways can give concurrence for settlement of claims. (Railway Board, letter dt. July 19).

As far as the rail users are concerned, delay in settlement of their claims results in their money remaining blocked. If the Railways accept the liability, the payment should be made immediately without waiting for the inter-railway liability to be fixed. The process of fixing of inter-railway liability can be completed even at a later stage because this is an internal matter for the Railways. This step, if taken by the Railways, will help in settling the claims faster and also reduce the need of the cement companies for filing cases in the Railway Claims Tribunals for settlement of their claims.

Rationalisation of Fares and Freight

Over the years, the increase in the passenger fares has not kept pace with the rising cost of the transportation. As a result, the passenger fares are highly subsidized. The loss on coaching services, in the year 2002-03 was of the order of Rs. 5609.15 crores (Railway Board, 2004, Railway Budget 2003-04). In addition, the loss on essential commodities carried below the cost of operation was Rs. 328.71 crores (Railway Board, 2004, Railway Budget 2003-04). The total loss, therefore comes to Rs. 5938.86 crores. The total earnings from goods traffic in the year 2002-03 were Rs. 26658 crores. If the passenger services and essential services were not carried below their cost, the Railways were in a position to reduce their freight on profitable commodities by about Rs. 6000 crores, that is, about 22.5 percent of the total revenue from freight traffic. Thus, if the Railways do not crosssubsidize the passenger traffic and the low rated essential commodities by charging higher freight rates on other profitable commodities like cement, they can bring down the freight by about 15 to 20%. This step alone, if taken, by the Railways, will make them more competitive and also attract additional traffic, like cement, giving more revenue. The railway fares and freight, therefore, need immediate rationalization to avoid diversion of cement and other high rated freight traffic to other modes of transportation.
7.2 Distribution

The qualitative feedback received from the cement industry shows that the reach of the Railways is not wide enough to compete with the roadways. Improvements are needed in the following areas:

Change of Destination

All freight customers of Railways have to fill up a form known as the Forwarding Note, for placing the demand/indent of a rake or wagons at the station where they want to load any commodity. Private sidings are also considered as a part of the station, which serves them. The Forwarding Note requires the customer to specify the destination to which the cement will be sent. Once, the demand for the wagons has been registered by the Station Master in the Priority Register, no changes in the particulars entered in this register are, normally, permitted by the Railways. This is because of the fact that the Priority Register, is a public document and the demands of various customers at the station are registered in a serial order as they come.

The change in destination, at times, requested by the cement companies and even other large customers should be permitted by the Railways by following and reiterating the instructions on the subject (Railway Board, 1981, letter dt. Apr. 16). It should, however, be seen that the changed destination does not fall in the zone of any operating restrictions imposed by the Railways due to operational reasons.

Minimum Number of Wagons to be Indented to Avail of the “Train Load” Freight Facility and the Concept of Mini Rakes

At present, the minimum size of the rake has been prescribed by railways to be of 38 BCN wagons. The maximum number of such wagons in a rake can be 40. Thus unless 38X58 (carrying capacity of a BCN Wagon= 58 tonnes) or 2204 tonnes of cement is available for a particular destination, the Railways will charge the entire consignment at the higher wagon load rate. For example, in the year 2003-04 for a load of 450 kilometers, the difference in the two types of freight for transporting 2000 tonnes of cement will be about twenty seven thousand rupees.

To overcome this problem faced by the customers, the Railways have introduced running of 'Mini' Rakes which consist of a minimum of 20 BCN wagons and can be moved upto a maximum distance of 300 kilometers (Railway Board,
2001, letter dt.Sep.13) from the loading point to the destination at “Train Load” rates. However, no freight concession is available on cement moved as “Mini Rakes”. This strategy of running ‘Mini Rakes’ has been quite successful in capturing short lead traffic for destinations where the market demands do not permit movement of full rakes of more than 2000 tonnes at a time.

However, this scheme can be availed of by only those customers who are dispatching more than 70% of their cement production by rail. This scheme is seasonal and is withdrawn by the Railways in the busy season from October to March every year. The cement industry have suggested that this movement should be allowed round the year upto leads of 500 kilometers. The Railways need to consider this demand from the industry’s point of view and allow running of ‘Mini Rakes’ upto 400 Kms round the year to face the increasing competition from road transport.

Two/Three Point Block Rakes

The rake size on the Railways has increased, over the past few years, from 1400 tonnes to about 2300 tonnes – an increase of more than fifty percent in quantity. The cement industry would like to have more destination stations in the same distribution area. Thus the cement requirement for each destination, over a given period, has reduced, and, there is a need for handling smaller rakes of cement at greater number of points if the Railways have to improve their reach and retain cement traffic even at the present level.

Realising the above need of the cement industry, the Railway Board have issued a list of two point combination of destination stations (Railway Board, 2002, letter dt. Aug.05) for which the zonal railways can load train loads of cement, fertilizers, foodgrains etc. Earlier the benefit of train load freight was given only upto the first point in the two point combination. Now the Railways have relaxed the above condition as a marketing strategy and have allowed the ‘Train Load’ freight rates upto the entire distance of transportation (Railway Board, 2003, Rates Instruction 11).

The cement industry has asked for more two point rake combinations to be allowed. The Railway Board have, however, advised the zonal railways to examine each request and permit loading for two points after getting concurrence from the railway on which the destination of the rake is situated. This decision of
the Railways has, therefore, met the needs of the cement industry only to some extent.

The Cement Manufacturers' Association has given a list, suggesting additional two point rakes combinations, to the Railway Board. It would be desirable for the Railways to permit some more two point combinations to the Cement Industry so that the diversion of the traffic to roadways can be reduced. In fact, the Railways should permit three point rakes for those destinations, which are, presently, being fed by road if the cement companies are willing to divert the traffic to rail. Such combinations, as are operationally convenient, should be accepted by the Railways with the benefit of 'Train Load' freight upto the entire distance.

Clubbing of Demands

Earlier 6 consignments were permitted to be clubbed in a Broad Gauge wagon. Keeping in view the demand of smaller customers, the Railways have now permitted clubbing upto 12 consignments in a wagon subject to the payment of documentation charges (Railway Board, 2003, Rates Instruction 11). This new strategy fully meets the demand of the cement industry in this respect.

Movement of Cement to North Eastern States

Railways have a number of operational constraints for movement of traffic to the North Eastern States. Within these constraints, they are moving the full requirement of foodgrains for the Public Distribution System on priority. The Railway Board had laid down quotas for movement of other traffic like sugar, cement, fertilizer and even public foodgrains. The roadways in these states, are also not well developed. The law and order situation in these States makes movement of commodities, by road, difficult.

Thus, while the Railways are not likely to lose this traffic to Roadways, the cement industry is looking upto the Railways to help them to meet the demand of cement in these States. The Railways have made efforts to move more cement to the North Eastern States. As a result, the movement of cement to the North-Eastern States has been permitted freely, with only a small portion remaining under quota restrictions.
Reduction in Transit Time to the Final Destination

The cement customers have stated that the transit time to the final destination of cement is more if moved by rail than the same if moved by road. Here, the final destination is the company owned stock yard/dealer’s godown where the cement is stocked before it is sold to individual customers in that area.

For short leads upto 300 kilometers, the Railways are at a disadvantage as compared to roadways because the unit of transportation in railways is a train load which carries about 2300 tonnes. In the case of roadways, a truck which carries about 10 tonnes of cement, can move out as soon as it is loaded. Each railway rake is detained at the loading point after loading for about 24 hours as compared to a truck which can move out in about 4 hours time.

After arrival and unloading at the destination station, the cement consignments take another 10 hours for removal. The terminal detention of cement here is of the order of twenty four hours.

In the case of roadways, a truck can move directly to the company’s stock yard/dealer’s godown. Thus for short leads, road transport is faster as it takes less transit time.

The Railways can adopt a two-pronged strategy to reduce the transit time for short leads.

a) By developing railfed warehouses at the major unloading points. A policy circular to this effect has already been issued by the Railways (Railway Board, 2001, letter dt. July 27).

b) By asking the Container Corporation of India Ltd. (CONCOR), a subsidiary of Indian Railways, to serve as the marketing interface of the Railways. CONCOR should quote lump sums rates, per tonne of cement traffic offered, after assessing the various costs involved, and advise the Railways in this regard.

The lump sum rates will include the element of rail freight and road bridging plus handling costs at both the ends. These rates will be quoted to the cement plants and, if acceptable to them, will be sent to the General Manager of the railways as laid down in the Indian Railways Act (Railway Act 1989). The Railway Receipt will be issued in the name of CONCOR for the rail transport portion of the inter modal package at the special rate approved by the railway. CONCOR, in turn, will issue the Combined Transport Document (CTD) to the cement plant for door to door delivery of
the cement transported. Thus the CONCOR will provide a single window system to the customer while the cement will be carried in railway wagons from the originating station to the destination station.

7.3 PROCESS

Delegation of Authority to the Frontline Staff

The Railway rules are inflexible as these do not allow much discretionary powers to the front-line staff who deal with the day-to-day problems of the customers. The main reason for the lack of discretion with the frontline staff at the field level is the bureaucratic nature of the organization. As the Railways are a Central Government undertaking, the staff dealing with the public and the customers in the field are not able to help the customers because they are having a feeling that they will be taken up if there is any deviation from the laid down rules and procedures.

This problem is more acute with the system of levying demurrage and wharfage charges at the loading and unloading stations. The rules regarding the free time allowed for loading and unloading are published by the Railway Board and no authority either in the zonal railways or in the divisions, has the discretion to make any changes in the allowed free time, even in the face of difficulties experienced by the customers due to one or more of the following factors:

a) constraints in the lay out of the private siding.
b) local weather conditions
c) the interruption in the supply line and
d) break down of the road transport system linking the railway stations with the final destination of the cement traffic.

As per rules in force, at present, demurrage is levied at the rate of Rs. 60/- per Broad Gauge eight-wheeler wagon for the first 24 hours, Rs. 90/- for the next 24 hours and Rs. 120/- per 24 hours for detention beyond 48 hours (Railway Board, 2002, letter dt. July 09).

Wharfage is levied by the Railways on consignments, which are not removed from the railway premises within the free time after unloading. The rates of these charges are laid down by the Railway Board. (Railway Board, 2000, letter dt. November 16). The powers for remission/write off the demurrage and wharfage charges have been delegated by the Board to the officers in the zonal railways (Railway Board, 1986, letter dt. Apr 23).
The Railway Board, however, have laid down certain guidelines for waival of wharfage and demurrage charges. The concerned officers have to keep the following factors in mind while doing so:

i) The need to sustain and attract traffic to the Railways and to assist in the marketing efforts.

ii) The nature and the value of the goods in relation to the freight and wharfage/demurrage dues.

iii) The local conditions of a particular station.

iv) Whether the circumstances under which the wharfage or demurrage charges accrued were really beyond the control of the consignor or the consignee.

v) The traffic handled at the goods shed, and bunching of traffic at the siding.

vi) Strikes/agitations etc. affecting the availability of labour/road vehicles.

According to the rules, the officers authorised to waive the demurrage/wharfage can do so up to 60% without recording specific reasons. However, if the waival is more than 60% in each case, speaking orders, for doing the same, are required to be passed by the concerned officer.

This procedure presumes that the consignor/consignee/their agent will approach the concerned officers located at the divisional headquarters, far away from the place where the loading/unloading has taken place. This causes difficulties to the customers who have to go from the goods shed to the divisional office and, in some cases, to the zonal headquarters office to appeal against the decision of the lower officers, in order to get a higher percentage waival of wharfage/demurrage charges levied at the goods shed.

In order to make the system more user friendly, the following system is suggested for adoption by the Railways:

a) The senior supervisors at the loading/unloading stations should be given powers for waival of demurrage/wharfage charges. These powers should be sufficient to solve the problems of customers in, at least 50 percent of the cases. This will also ensure that a majority of the customers do not have to go to the divisional/zonal office for getting a waival of these charges.

b) The free time allowed for loading/unloading of consignments should be reviewed. The problems of the Cement Industry and other large
customers should be taken into account before taking any final decision in the matter.

c) The Railway frontline staff should have better customer orientation. They should inform the customers about the expected arrival and placement of their rakes for loading/unloading at the nominated stations. This will enable the customers to arrange for adequate labour/road vehicles and other infrastructure required for timely releasing/loading of the railway wagons.

d) Credit/Debit system of demurrage hours should be introduced at the cement loading as well as unloading points. This will ensure that the customers, who have been regularly doing well, do not get penalised if, due to certain reasons, railway wagons get detained or the railway ground space remains occupied for more than the permissible time. Such a scheme is already available on the Railways for the Steel Plants who make payment of demurrage on a periodical basis. In case they release certain trains/rakes in less than the free time allowed, they get credit hours to that extent. These credit hours are adjusted against the debit hours if the trains/rakes are detained by them in the same period. A similar facility should also be given to the cement industry both at the loading as well as unloading points.

e) The railway rules regarding levy/waival of wharfage/demurrage charges should be made easily available to the customers who need to be convinced that the rules are being applied uniformly and fairly to all customers.

Punitive Charges for Overloading Wagons

The cement industry feels that the provision of the Railway Act in this regard (Indian Railway Act, 1989) is harsh to them. This Act empowers the Railways to levy penalty charges at such rates, as prescribed, before the delivery of goods. The cement industry is, affected by section 73 of the Railway Act, particularly, in respect of coal consignments, which are received by them at their plants for manufacturing cement.

In the exercise of the above power, the Railway Board have issued instructions (Railway Board, 1997, letter dt. February 21) that the overloading of loose consignments by more than one tonne shall be charged at class rate 300.
This penalty is very heavy and is to be paid by the cement companies on the arrival of the consignment at the destination.

It is, therefore, suggested that the railway rules for levy of punitive charges for overloading a wagon should be reviewed so that the penalty levied for overloading of wagons is reduced to an extent that it serves the purpose for which it has been levied without being harsh on the customers. The main purpose behind the punitive charges is to avoid accidents due to overloading of wagons.

Maintenance of Railway Goods Sheds

Cement consignments, in train loads as well as in piecemeal, are handled at the railway goods sheds which are served by goods shed sidings taking off from the station yards. Some of the goods sheds have high level covered platforms where cement bags can be stacked after unloading. Till such time the bags are removed from the railway premises, the railway have to protect these from pilferage and damage by wet.

The feedback received by the cement companies suggests that, at most of the places, the Railways are not providing adequate, lighting, security and covered space for the cement consignments awaiting removal after unloading. The circulating area for the movement of trucks, deployed for transporting the consignments to the dealers’ premises/stockyards, is also uneven and hampers speedy removal of the goods. Poor removal from the railway premises, coupled with damage and pilferage to the consignments, causes great dissatisfaction among the cement customers as they have to run around for waival of demurrage and wharfages and lodge claims against the railway for loss due to pilferage or wet. In addition, the capital value of goods thus damaged is blocked for long periods till the claims are settled. The demurrage and wharfage charges also add to the landed cost of cement. It has been estimated that this cost alone can go up to 75 paisa per bag of cement. If the cement company concerned does not pay this amount to its dealer, his commission on sales gets reduced by this amount. The dealer is, therefore, not keen to receive his cement requirement by rail. He would try to influence the cement manufacturer to send his consignments by road as such charges are not attracted as case of movement by road.

To minimise the dissatisfaction of the cement companies in this vital area, the Railway the following strategic decisions are suggested:
a) Privatise the maintenance of circulating areas, and goods sheds so that adequate lighting, stacking space and security can be provided to the cement consignments stacked in the goods sheds.

b) The security of the goods sheds and mineral sidings should be entrusted to private security agencies.

c) The contracts for maintenance of goods sheds and circulating areas should be awarded and managed by the Commercial department of the Railways. The security contracts should also be managed by this department.

d) Adequate funds should be made available out of the revenue budget of the concerned zonal railway so that a proper standard of upkeep and maintenance of goods sheds and the circulating areas can be ensured. The Railways have already appreciated that the proper development and maintenance of the freight terminals is a basic requirement if the cement traffic has to be handled in the present competitive environment. A separate head should be earmarked in the revenue budget of each railways for the security, upkeep and maintenance of the goods sheds, their circulating areas and the approach roads.

e) More covered space/sheds and high level platforms should be provided where cement traffic is regularly handled. This will avoid damage to the cement consignments awaiting removal in the railway premises.

**Delays in Decision Making Process**

The cement companies have to wait for long periods for decisions from the Railways. The decision-making in following areas, in particular, affects the cement companies financially also.

**Decision on Station to Station Rates**

According to railway rules, the customers have to apply for concessional station to station rates along with the relevant data and await the decision of the Railways in this regard. The cement companies are required to furnish details of the road rates for cement dispatched by road for each station along with the past-cement production data and the period for which the concessional rate is required.

The Railways verify the road rates given by the cement companies, and works out the cost of transporting cement for the destinations applied for. Normally, for this purpose, fully distributed cost is taken into account. This cost covers the fixed cost as well as the variable cost of rail transportation.
Cost analysis is done by the commercial department of Railways and is vetted by the finance department before it is put up to the General Manager of the railway for final approval.

The above process, in the present set up of the Railways takes a few months before the application of the customer is approved. In the meantime, the customer has to wait and send the existing traffic by rail, to the level of his commitment, without getting any concession till his request is approved.

The concessional rate, once granted, is applicable from the date of application by the customers, if the customer has applied for the concessional rate for a period of at least three months. In such cases, if the customers has fulfilled his commitment of dispatching cement by rail, on a quarterly basis, the concession can be given as a refund (Railway Board, 2002, letter dt.Sep 20).

Delay in the decision making process of granting concessional rates is causing dissatisfaction among the cement companies as they can not pass the benefit of concessional rate on their dealers without receiving the concession themselves. The delay also results in the blocking of their capital till the refund is granted for such cases.

The Railways should, therefore, evolve suitable machinery for taking expeditious decision on the request of the cement companies for grant of Station-to-Station rates. The entire process should be completed within a period of one month. The clarification, if any, required by the Railways should be sorted out by having meetings with the concerned cement companies so that the customer's point of view gets reflected and faster decision making becomes possible.

The Volume Discount Scheme

This Scheme (Railway Board, 2001, Rates Instruction 25) also laid down a detailed procedure to be followed by the zonal railways before a discount could be offered to the cement companies. The procedure, as laid down, caused delays on the part of the Railways. As a result, the cement companies and even other customer of the Railways, stopped applying for this scheme and preferred, in fact, to send their traffic by road. This scheme, therefore, has been dropped by the Indian Railways.

In the Railway Budget 2003-04, the Railways have come out with a new scheme for their Primary Customers whose net revenue from the originating traffic in a year is more than Rs. 25 crores. Such customers are given a discount of 2 percent on every Rupees 5 crores of net additional originating revenue given by
them to the Railways, irrespective of the benefit availed by them under any other concessional rates scheme. This new scheme should be marketed by the Indian Railways and should be allowed to continue because its operation will be simpler and will not involve delay in the decision making process.

Own Your Wagon Scheme

This scheme also did not get adequate response from the customers on account of

a) The delay in decision making by the Railways
b) Inadequate return on the investments made by the customers on the wagons owned by them.

c) Problems in collection of information required by the Railways before the scheme was approved.

The public lending rate has to be obtained from the State Bank of India while the information regarding the corporate tax has to be obtained from the Income Tax authorities. Since the rate of interest as also the corporate tax rates keep changing, the customers are finding it very difficult to obtain these details from the concerned authorities and then give these to the Railways to claim the lease charges due to them. (Railway Board, 2000, letter dt. June 29)

The decision making process on the Railways, in this respect, will have to be accelerated to reduce customer dissatisfaction.

Procedure of Allotment of Wagons

The allotment of wagons at all goods sheds and sidings on the Indian Railways is governed by the Preferential Traffic Schedule (Railway Board, 1994, General Order 78 dt. August 1). This schedule has been issued by the Central Government Under Section 71 of the Railway Act 1989. It lays down five priorities of traffic namely A,B,C,D and E. The details of the traffic and commodities covered under each priority are given in this schedule. For example, A priority includes Military traffic sponsored by Quarter Master General's Branch through Milrail. This is the highest priority for allotment of wagons. Thus A priority is higher than B, B is higher than C and so on. Traffic which is not covered under priorities A to D is included in E priority which is the lowest.

Para 6.1 of the general instructions of this schedule lays down that it applies to the movement of traffic in wagons loads only. Programmed traffic ranks higher in priority over non programmed traffic within the same class of priority.
irrespective of the date of registration. Also, block rake movements will get preference over piecemeal movements irrespective of the class of priority and date of registration. Any traffic, however, can be accorded preferential movement under a higher priority under special orders issued by the Ministry of Railways (Railway Board)/Zonal Railways. The above procedure of allotment of wagons is highly centralised, apart from its being complicated, in its application. The frontline staff have no discretion to change the priority of allotment irrespective of the urgency of a customer for dispatching his traffic. The staff are also not able to explain to the customers why the procedure of allotment is so complicated and why it leaves little discretion with them. As a result, customers of the Railways have to, invariably, approach the higher authorities in the divisional or zonal headquarters or even in the Railway Board, to find out why they cannot get allotment of wagons according to the schedule of dispatch that they have drawn up based on their commitments to their customers. Such a situation also arises, quite frequently, for cement manufactures when they want to dispatch their traffic in large quantities to areas which are not well served by roads. They face a situation of shortage of railway wagons in certain areas like Satna where empty rakes of covered railway wagons are difficult to get because of the unsatisfied demand of higher priority traffic like foodgrains for the Public Distribution System and the export traffic, in and around that area.

From the above facts, it is clear that the procedure for allotment of wagons was designed to meet a situation of shortages. The Railways have remained in this position for a long time. However, now the situation has changed. Faced with high railway freight rates and uncertainty in the supply of wagons, the cement plants, have diverted their traffic to roadways as road transport is cheaper and is easily available, involving few complications.

The procedure of allotment of wagons by the Railways is not customer oriented, as it does not meet their requirements. It is, therefore, suggested that the Railways should simplify the procedure of allotment of wagons and make it customer friendly so that is can take care of the changing needs of the cement companies as also of the changing marketing scenario for the Railways.

The Railways should plan their availability of wagon fleet in such a manner that there is no shortage of wagons when these are demanded by the customers. Only then can any marketing strategy to improve their share of loading in cement traffic can be effective.
Information about Supply of Rakes

As already discussed in the previous paragraphs, the allotment of wagons, for loading all commodities, including cement is governed by the Preferential Traffic Schedule. The cement manufactures are, therefore, not sure when a particular rake for a certain destination will be supplied by the Railways. They cannot plan their dispatches to their customers due to uncertainty in supply of wagons.

To solve this problem, the Railways should organize a system of giving advance intimation to the cement customers about the likely availability of wagons for loading. In fact, the pattern of supply of wagons/rakes for the next day is planned by the operating branch a day earlier in the Headquarters office and the same is discussed and finalised with the Divisions. The Divisions can intimate the supply plan to individual stations and also to individual customers.

This system, however, needs to be formalised as, at present, it is not obligatory on the part of Railways to inform their customers about even the approximate date and time of supply of rakes. To make it obligatory for the Railways to keep their customers informed of the likely supply of rakes will be a sound marketing strategy as it will help the customers as well as the Railways. The customers i.e. the cement companies, can plan their dispatches of cement properly while the Railways tend to gain by the reduced loading time and detention to the cement rakes. This strategy will improve the wagon turn round of the railway wagons while providing greater satisfaction to the cement companies.

A similar strategy should be implemented by the Railways at the stations where the cement traffic is unloaded. As most of the cement, at present, is unloaded from railway wagons by manual labour, it is essential that advance intimation about the arrival of incoming cement rakes is given to the cement companies to enable them to arrange for adequate labour and road vehicles for unloading and removal of cement consignments from the railway premises within the allowed free time.

Information about Cement Rakes in Transit

This information is essential for the cement companies for two reasons. Firstly, they would like to know about the consignments in transit to see if these are likely to reach the destination in the estimated time. Secondly, a particular unloading terminal may receive cement rakes from more than one source, at time, causing bunching of rakes at the destination station. In the first case, the cement
company would like to see that the consignments travel fast enough so that its
capital does not remain blocked for an unduly long period. In the second case, if
more that one rake/trainload of cement is reaching a particular railway terminal on
the same day, the dealer/stockist will have to be advised to make arrangements
for adequate labour and trucks for unloading all the consignments which are likely
to be placed for unloading by the Railways on that day.

The current 'on line' position of the movement of each rake is now
available with the Railways through the Freight Operations Information System
(FOIS) which is a fully computerized, 'on line,' system. Terminals of the system
are available at all major stations and yards on the Railways. In order to fulfill the
need of the cement manufacturers about the 'on line' information on the cement
rakes in transit, all major cement plant sidings should be provided with FOIS
terminals. The Railways should provide these terminals as a marketing strategy
to give better reliability and customer satisfaction about cement loading.

**Delivery of Consignments on Indemnity Bond**

The necessity for delivery of consignments on Indemnity Bond arises when
the Railway Receipts are not produced by the consignee at the destination station.
This happens due to delay in arrival of Railway Receipts by post or other means.
In such cases, the consignments arrive earlier than the Railway Receipts and, as
per the Goods Tariff, (IRCA, 1992, Goods Tariff), an Indemnity Note as per the
format given at Appendix 1/11 has to be filled (Form 1 or 1/A). Form 1/A is meant
for consignments booked to self. It needs to be authorised by the forwarding
station also, in addition to an endorsement to be made by the consignor on it.
However, in case of other cement consignments, Form I is used. The Indemnity
Bond has to be signed by the consignee, two witnesses and a surety. It has to be
executed in the presence of the Station Master of the destination station. Before
the consignee is allowed to sign the Bond, the Station Master has to obtain the
permission of the Divisional Commercial Manager to allow delivery of the goods
on Indemnity Bond. The Indemnity Bond has to be given on a stamped paper.
The railway rules provide that delivery on Indemnity Bond should be provided only
to reputed firms or customers.

Authorised dealers of the cement companies should, therefore, be allowed
to avail of this facility. The formality of asking for a surety from the authorised
reputed dealers of the reputed cement companies can be dispensed with to make
the procedure simpler. A general surety can be taken from the cement companies regarding their authorised dealers that in case of any problem arising after the delivery on the Indemnity Bond, the interest of the Railways shall be guaranteed by the cement companies. The general surety suggested above can be given by the cement companies for each dealer for a period of one year.

**Non Availability of Door-to-Door Service**

The Railway cannot reach the cement consignments to their final destination which is the dealer’s godown or the company’s stock yard or the customer’s premises. The cement companies are, therefore, hesitant to use the Railways where they have an option to move the cement by road.

The Railways can adopt a new marketing strategies to overcome this handicap and compete with the roadways. As an immediate measure, they can ask the Container Corporation of India (CONCOR), a subsidiary of Indian Railways, to act as the marketing interface for the Railways. CONCOR can come up with a comprehensive inter modal package of door to door transportation. The transportation between the two rail heads will be by conventional railway wagons while the road bridging and handling at either end would be undertaken by CONCOR. CONCOR will assess the various costs involved and request the Railways for a special lump sum rate for the rail transportation segment. This rate can be examined and granted the General Manager of the railway under Section 32 of the Indian Railway Act.

As far as the cement companies are concerned, CONCOR will quote lump sum rates per tonne of traffic offered, to the cement companies. This rate will include the elements of rail freight and road bridging/handling cost at the terminals. The Railway Receipt (RR) will be made in the name of CONCOR at specially approved freight rates, for the rail transport portion of the inter modal package. CONCOR, however, will issue the Combined Transport Document (CTD) for door to door transportation for the cement customers. The customer will, therefore, get the benefit of a single window system.

Such an experiment has already been done on the South Eastern Railway, where the steel traffic from TISCO to Mumbai has been, moved, by CONCOR, directly to the customers, (Railway Board, 2001, Report of the Task Force on Steel, October).
Another strategy for providing door to door service is the construction of rail side warehouses by the Railways in collaboration with agencies like the Central Warehousing Corporation of India. By providing warehouses at the rail heads, the cement customer can store their cement after directly unloading from the wagons. This will save the secondary transportation charges which the cement companies and their dealers have to incur at present as the warehouse situated right next to the wagons placed for unloading. The details of the policy letter issued by the Railways are available (Railway Board, 2001, letter dt. July 27).

If the two marketing strategies detailed above are adopted by the Railways, the landed cost of cement for the cement companies will come down. At the same time, the adoption of these strategies will reduce multiple handling and also make the Railways compete better with the roadways.

**Acceptance of Cheques by Railways**

As per the Indian Railway Commercial Code (IRCC), the payment of railway freight is, normally, accepted in cash (Railway Board, 1991, Commercial Code Para 1201). Reputed customers are allowed the facility to make payment by credit note cum cheque after verification of their standing by the Railways (Railway Board, 1991, Commercial Code Para 1202). The problem, however, arises when the cement consignments are loaded on Sundays/holidays or on Saturdays after the banking hours. In such situations, the railway siding clerks posted in private sidings do not issue the railway receipts to the customers and also do not accept payments by cheque. Banks cannot issue drafts after the banking hours on Saturdays and Sundays/holidays. This results in the cement consignments getting held up after loading as the Railway Receipts are not issued.

A number of representations have been made by the cement industry to the Railways so that payment can be accepted, for the reputed siding holders, by cheques on all days of the week. The Railway rules in this regard, however, permit payment by cheques only when the customers have furnished a bank guarantee to the Railways amounting to 7 days' transaction to be based on the peak month's figure during the previous 12 month period for a particular customer. The Bank Guarantee has to be valid not only for the period of agreement between the railway and the consignor but also for a period of 6 months beyond it. (Railway Board, 2003, letter dt. June 06). The above arrangements are not
customer friendly as the cement companies, particularly at the loading points in the sidings, would like to make payment by cheques without furnishing any bank guarantee or a credit note to the Railways.

It is essential that the Railways should consider this request sympathetically. Reputed companies, having regular transactions with the Railways, at each station / siding, should be permitted to make payments by local cheques so that the delay in the realization of money does not take more than 2 to 3 days. However, in case of default due to bouncing of any cheque, there should be an agreement with the customer for payment of penal interest by him till such time the payment is cleared by the bank in favour of the Railways. As a step in this direction, the Railways have already opened their bank accounts in nationalized banks at a number of stations.

7.4 Product

Transportation is the product that the Railways sell in the market. Cement is moved by Railways in train loads only. Based on our findings, the cement transport product has to be modified by the Railways to suit the needs of the cement industry. Some of the modifications suggested by the industry are discussed here.

Availability of Rakes on Demand

Since the supply and allotment of railway wagons is done as per the Preferential Traffic Schedule, it is difficult for the Railways to supply wagons/rakes to any customer on demand i.e on the date and time that he would like. In fact, the Railways forfeit the registration fee of the wagons registered with them if the consignor does not load a rake supplied within ten days of the placement of the demand. This fee gets forfeited even if the consignor withdraws the demand within these ten days.

It has not been possible for the Railways to guarantee supply of rakes for cement loading exactly as per the requirement of the cement companies. In certain cases, the delay may be of the order of 2 to 3 days before a rake, for a particular destination can be supplied. In such cases, the cement manufacture may not have any other option but to dispatch the cement manufactured in the factory by road or stock it in his godown, thereby, incurring extra handling charges at the loading point itself. Such situation would also result in the blocking of the
capital of the cement company in the form of manufactured cement bags awaiting 
dispatch.

The Railways already have an ‘Own Your Wagon scheme’ which has been 
discussed earlier also. This scheme has not become popular with the customers 
because of a number of formalities, required by the Railways to be observed by 
the customers, in respect of getting certificates of medium term loading rate from 
the State Bank of India and that of corporate tax from the Income Tax authorities 
periodically. when they claim the lease charges from the Railways.

The solution, for the Railways, lies in changing this system of wagon 
supplies to take care of the peak demand. At the same time, supply of rakes to 
the low rated commodities should be reduced to the extent possible so that profit 
yielding commodities like cement can be given the full supply during peak demand 
season. This will reduce the dissatisfaction of the cement companies regarding 
the unreliability in the supply of railway wagons particularly during the period from 
October to March every year.

Carrying Capacity of Railway Wagons for Transporting Certain Commodities

The cement industry have given a feedback that coal loaded from Chircha 
collieries, Nandan Washeries and some other collieries in India can not be loaded 
upto the carrying capacity in open BOX/BOXN wagons. They have discussed the 
issue with the Ministry of Railways who have not taken any decision in the matter 
so far.

It is suggested that the Railways should take a decision in the matter at an 
éarly date so that this cause of dissatisfaction resulting in recurring loss to the 
cement companies can be avoided.

Movement of Cement in Bulk

Presently, most of the movement of cement whether by Rail or Road, is 
taking place in the form of bagged consignments. Bagging at the cement plants 
adds to the cost of cement. In case, cement can be utilized in bulk to form Ready 
Mixed Concrete, the cement bags need not be transported from the cement plant 
to the destination in all cases. The bagging of cement can be done, if necessary, 
at the destination station after receiving the loose cement in bulk. Bulk cement 
can be dispatched only in specially designed railway's tank wagons. Such 
wagons have already been designed and are in operation on the Central Railway 
where a bulk terminal has been set up by M/s ACC at Kalomboli near Mumbai.

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Cement is pumped out from the tank wagons into the silos and is packed into bags to the extent required. Otherwise, it goes out as a part of the Ready Mixed Concrete directly to the construction site by road tankers.

Presently, the Railways have provided these facilities to the cement companies on the basis of full private ownership of the tank wagons by them and also construction of the handling siding at the unloading terminal at their cost. There is a lot of market potential for the transportation of bulk cement by the Railways, particularly, in large consumption centres like Delhi, Kolkata, Chennai, Bangalore, Hyderabad etc. as supply of Ready Mixed Concrete is very helpful for the construction activities in the country.

The cement companies feel that the Railways should provide land on lease at the unloading points for developing the bulk cement handling facilities and also share the cost of construction of siding as also the dedicated wagons for the movement of cement. At present, the sidings are to be constructed at the cost of cement companies and the tank wagons are also fully paid for by them. A freight rebate of 22.5% is given to the cement companies by the Railways for transporting cement in such wagons. (Railway Board, 1995, letter dt.July 14).

It is suggested that the cost of the siding can be shared with the cement companies in order to encourage the development of more cement bulk terminals. The Railways should arrive at a minimum level of traffic which can be committed by the cement companies concerned so that the sharing of the cost of the siding at the unloading point becomes economical to the Railways.

**Rakes Size Flexibility**

The present minimum size of the rake as prescribed by the Railway Board is 38, eight wheelers wagons, each having a carrying capacity of about 58 tonnes i.e. about 2200 tonnes.

In order to attract more cement customers who have a monthly demand of about 1000 tonnes each, the rake size should be reduced to 35, eight wheeler wagons so that two such customers in the same area, can book their requirements in a 2 point rake combination. The Train Load freight facility should be available to both the customers because, the Railway Board have allowed this facility from the Budget 2003-04 for the entire distance of transportation on end-to-end basis (Railway Board, 2003, Rates Instruction 11). The facility of smaller rakes of 35 wagons can be allowed by the Railway as an interim measure after
detailed discussions with the Cement Industry so that Railway can revert back to existing load of 38 wagons i.e. 2200 tonnes each with in a specified period. The cement companies can agree to develop loading and unloading facilities at the terminals for handling bigger rakes within this period.

**Segmenting the Long Lead Traffic**

Long lead traffic, particularly, for leads beyond 500 kms should be identified by the Railways and targeted for 100 per cent movement by rail. The Railways should give priority to attract this segment of traffic. They should discuss the modalities with the cement manufacturers, case by case, to find out why a portion of this traffic is moving by road. Station to Station rate concession can be given in individual cases, wherever, it is found that, by giving suitable concession, the traffic can be brought back to the Railways.

Apart from segmenting the long lead traffic, the Railways should also become total transporters for cement, moving for such long leads as above. The Container Corporation of India (CONCOR) should be involved to provide the road transport from the station to the dealers' premises by having an agreement with the cement companies. The details have already been discussed in this chapter.

**Supply of Fit Wagons for Loading by Railways**

At present, the Railways are supplying covered wagons for cement loading without ensuring that cement consignments, when loaded in these wagons, will not get damaged either due to contamination with the leftovers of the previous consignments or get damaged in transit while on way to the destination. This problem has caused a lot of dissatisfaction to the cement companies because the quality of the cement, delivered to their customers, get adversely affected. The cement company also suffers financial losses due to deterioration in the quality of the cement delivered to its customers.

It is, therefore, suggested that the Railways should permit about ½ hour extra free time for clearing at the loading points in the cement plants. Since it will not be possible for the Railways to provide labour for cleaning the wagons, the job will have to be done by the cement companies when the wagons are placed for loading. The additional free time given for this purpose, should act as an adequate incentive to the cement plants for undertaking this job. However, the Railways should ensure that the wagons should be water-tight. Such wagons as are found to be non-water-tight should be rejected by the cement companies in
the presence and with the concurrence of the railway commercial staff posted in
the sidings for supervising the loading of cement.

7.5 Physical Evidence

Physical evidence consists of two elements viz. the physical facility called
the 'servicescape' and other forms of communication called the 'other tangibles.
The servicescape further consists of the external facility and the internal facility.
The servicescape usage in the Railways, involves both the customers and the
employees. Thus Railways have to be an interpersonal service with elaborate
complexity (V. Zeithaml, 1996)

We will first identify the servicescape and also the 'other tangibles' for the
transportation of cement on the Indian Railways.

Servicescape

- Facilities

These include

(a) Signage.
(b) Parking.
(c) Landscape.
   as external facilities.
   and the terminals having
(a) The unloading space including covered and open.
(b) The circulating Area.
(c) The approach Road.
(d) Merchant waiting rooms.
(e) Goods office, its layout and design.
(f) Drinking water facilities for labour.
(g) Wagon / Rakes supplied for loading.
(h) Locomotives used for haulage of rakes
(i) The stations and yards leading to the sidings and the terminals where
cement consignments are loaded and unloaded.
(j) Railway frontline staff at the stations and sidings.
as internal facilities.
Other Tangibles : These include

- Uniforms of the railway staff at the terminals and at stations enroute
- Railway Receipts.
- The Railway logo painted on the locomotives.
- 'Bholu – the Guard', a symbol of 150 years of Railways service to the nation.
- The name boards of the railway stations and yards.
- Display of daily operating restrictions for various destinations on the notice boards at the goods sheds/ sidings.
- Availability and display of important rules concerning cement loading at the goods sheds/sidings.
- Periodic updates about Railways and their tie up with other agencies to provide warehousing and total logistic support.
- Provision of FOIS terminals to keep the cement companies informed about their consignments dispatched by rail.

The purpose of physical evidence is to communicate with the customers so that the gap between the service delivery and external communication with the customers is reduced to a bare minimum. This is called GAP 4 (V. Zeithaml 1996).

The feedback, received from the cement companies, shows that the Railways have not been able to close GAP 4. In other words, their communication with the customers is inconsistent with the service delivery. This explains, why a number of cement companies have opined that they would like to transport their cement by road even if, for the same destination the rail freight is the same as the road freight.

Deficiencies noticed in the Service Delivery of the Railways:

(a) The signages and parking facilities at most of the goods sheds are inadequate. There has been little effort on the Railways to improve the landscaping of the terminals.

(b) The internal facilities like circulating area for movement of road vehicles, approach roads to the terminals, the unloading space (both covered and open) are not well maintained. The drinking water facilities at the goods sheds are either, inadequate or are missing. The design and layout of the goods sheds offices is not customer friendly. The goods shed premises are not well maintained. The wagons supplied for loading are not always clean and water tight. The railway staffs are not always in uniform. They don't,
generally, wear their name plates and badges showing their designation. Their uniforms are not well stitched and ironed and, mostly, the frontline staff do not look well groomed.

(c) The Railway Receipts are still written by hand in carbon process, as these have still not been computerized. Railway restriction bulletins and important rules are not, normally, displayed at the sidings and goods sheds. The rule books are old and sufficient copies of the latest rules books are not available.

(d) Freight Operations Information System (FOIS) terminals are still not available to the major customers, important goods sheds and sidings. Zonal railways do not issue any periodic updates about the developments on the Railways to keep their customers informed.

The above analysis of the physical evidence of the service provided by the Railways shows that there is a large gap between their service delivery and external communication with the customers. This gap (GAP 4) has to be closed by the Railways by taking necessary steps to improve their service delivery as well as their communication with their customers in the areas highlighted through the feedback received from the cement companies. The suggested strategies for improvement in each of the above areas have already been discussed under individual streams in this chapter.

7.6 People

The cement companies, their agents and dealers have to contact the railway front line staff particularly the commercial staff, when they have to load or unload cement consignments. The cement manufacturers, in the feedback received by us, have expressed their dissatisfaction in the following areas in which their contact with the railway is involved.

- Reliability of wagon supply
- Settlement of claims
- Flexibility in approach towards customers
- Interpretation of commercial rules to help the customers.
- Help in allotment of wagons/rakes by getting timely information about the wagon supplies.
- Information about receipt of inward loaded rakes at terminals, movement of rakes while these are on run.
The frontline railway staff and those supporting them from behind the scenes are critical to the success of the Railways because the customers see them as the railway organisation.

The feedback from the cement companies shows that there is a gap between the customer service standards laid down by the Railways and the service delivery. This is called GAP3 (Valarie A. Zeithaml, 1996). GAP3 is caused by

- Ineffective recruitment
- Role Ambiguity and Role Conflict
- Lack of empowerment and team work

The Railways should improve their recruitment and training procedures of frontline staff so that they are responsive to the needs of the customers. At present, a large number of employees is promoted from group D to group C and they form the frontline staff in the Railways. Such staff may not always have the requisite aptitude and training to provide the customer satisfaction and the service quality needed to serve the customers transporting cement by rail.

There is an urgent need to train and develop the frontline staff who are promoted from group ‘D’ to group ‘C’. The minimum educational qualification for recruitment to group ‘D’-the lowest grade in the hierarchy, is that the staff should have passed eighth standard. Later on, by virtue of their seniority, such staff become eligible for promotion to group ‘C’ through a selection process. No doubt, such staff are trained in the railway zonal training schools and have to learn the rules and regulations of commercial working before they are certified fit for a working post in group ‘C’.

For the past few years, the Railways have started training their frontline staff in their ‘Customer Care Institute’ at Delhi. The staff are trained to provide courteous and efficient service to their customers. An improvement in the general behaviour of the trained staff towards the customers, has been observed.

However, as the feedback suggests, the steps taken by the Railways, so far, are not sufficient to ensure that the staff develop a pro-active approach and provide better service quality to their customers.
It is, therefore, suggested that the Railways should review their recruitment policy. They should increase the percentage of well qualified employees recruited directly, and laterally, in group ‘C’ intermediate grades. Such employees can form the core group at each loading and unloading terminal for handling cement traffic in order to provide better service to the cement companies and their dealers.

Greater delegation of powers to the frontline staff is absolutely essential to make the staff effective in helping their customers and solving a majority of the problems on the spot. The Railways will, therefore, have to ensure greater delegation of powers to the frontline staff while, at the same time, developing the quality of these employees to serve the customers better.

7.7 Productivity and Quality of Service

The Railways are trying to keep their costs of transportation low by adopting a number of strategies. These include measures to optimise the utilisation of rolling stock and other fixed assets like the goods sheds. However, these measures affect the quality of service provided to their cement customers. The quality of service has the following five dimensions (Valarie A. Zeithaml, 1996).

- Reliability - Delivering on promise
- Responsiveness - Being willing to help/provide prompt service
- Assurance - Inspiring Trust and Confidence
- Empathy - Treating customers as individuals
- Tangibles - Representing the Service Physically

We have the feedback on the above dimensions from the cement manufacturers.

Reliability

Our feedback on reliability of rail transport of cement (Chapter V) indicates that it need improvement. Reliability can be improved by adopting the following strategies :-

a) Providing guaranteed supply of wagons for cement loading round the year. Each manufacturers can give a guaranteed minimum offering of traffic by rail. The railway should ensure that this quantity is moved to its destinations without fail.
b) Ensuring speedy transit of loaded wagons. At present, each railway rake has to wait for a locomotive to leave it to its destination. Sometimes, this wait can be sufficiently long to affect the delivery schedule of the consignor. Speedy transit can be achieved by better coordination with the consignors so that the rakes/trains loaded with cement can be moved as soon as these are ready.

c) The Railways should supply water tight wagons so that the cement bags do not get damaged enroute.

Responsiveness

Willingness to help and the promptness of service are important factors for the responsive service to the customers to be responsive. The findings in this respect, have shown that the Railway frontline staff is not friendly. They are bureaucratic in their approach and have little discretion. Their service to the cement customers, therefore, cannot be termed as responsive.

In order to be more responsive to the needs of the customers, the Railways need to adopt the following strategies.

(a) Train their frontline staff to become responsive to the needs of the customers. In other words, the Railway need to do internal marketing to become responsive.

(b) Make the rules transparent and simpler for the customers so that they can understand and appreciate these.

(c) Greater empowerment of the frontline staff by delegating more discretionary powers to them. Empowerment of staff will reduce the bureaucratic delays that take place in solving the problems of cement customers.

Assurance

Assurance implies that the staff dealing with the customers belong to a reputed organisation and that they are skilled and knowledgeable so as to handle the problems of the customers effectively.

The Railways are, undoubtedly, a reputed transport organisation in the country. They also have skilled and knowledgeable employees. However, as discussed in Chapter VI, due to lack of discretion with them, they donot have a flexible approach.
For the cement companies to get an assurance of a good service, the Railways must make their rules more flexible and customer oriented. Greater discretion should be allowed to the frontline staff in dealing with the problem of cement companies.

**Empathy**

Empathy in the employees of the service provider, is essential as each customer has to be considered individually for solving his problems. To be empathic to the cement customers, the Railways will have to understand their special individual needs and anticipate their problems.

As, the present situation in the Railways is not up to the customers' expectation, the cement companies feel that the Railways do not provide the desired information in time; do not allow change of destination of cement consignments and take a long time to settle claims.

In order to be more empathetic to the cement companies, the Railways should:

a) Provide real time online information about the cement consignments booked by rail. This provision is possible through the Freight Operations Information System (FOIS), which the Railways are installing all over their system.

b) Allow change of destination unless there are serious operational problems enroute for the destination in question.

c) Adopt strategies for quick settlement of the claims. The details of these strategies have already been discussed in this chapter.

**Tangibles**

The tangibles in rail transport of cement have already been discussed. These are the locomotives, wagons, railway staff in uniform, goods sheds, approach areas to the goods handling complexes and the offices of the frontline staff engaged in loading and unloading of cement consignments.

The strategies to make the service more tangible have already been discussed in this Chapter.

**7.8 Promotion**

Traditional promotional strategies of advertising and sales promotion are not so important for the marketing of freight traffic for cement transportation by rail
as the cement companies are few in number and they have been dealing with the Railways for a long time. What is needed is adequate publicity by the Railways about the customer friendly services that they are providing or are planning to provide. The cement manufacturers in the country are not many in number and it is not difficult for the Railways to communicate with them individually in order to mould the cement transport services to suit the requirements of the cement industry.

The problems of the cement industry, in this area, have been discussed in Chapter VI. The suggested strategies to overcome the problems are discussed below.

**Provision of Information to Customers Through FOIS**

The desired information can be given to the cement industry and their dealers through the real time on line. Freight Operations Information System (FOIS). A sub system of FOIS is the Terminal Management System (TMS). Terminals of FOIS and TMS should be provided by the Railways in the sidings of all major cement manufacturers. At major terminals, where cement is unloaded, TMS Computer terminals should be provided. These terminals will provide the requisite information about the movement of cement rakes to the industry.

The increase in size of the rakes has posed marketing problems for the cement industry as already discussed in this Chapter. The minimum rake size should be reviewed by the Railways while balancing the economies of transportation and the requirements of the cement industry. This facility can be given for a limited period after discussion with the cement industry. During this period, the cement industry can remodel their sidings to load the normal size of the rake i.e. about 2300 tonnes within the normal free time offered by the Railways.

The facility of mini rakes and two point rakes as detailed earlier in this Chapter should be provided to the cement industry.

**Demurrage and Wharfage Rules**

Strategies for making changes in these rules have already been suggested. These changes will have to be made in consultation with the cement industry while keeping in view the interest of both the sides to optimise their resources.
'Engine-On-Load' System for Loading and Unloading Cement Rakes

This system has been promoted by the Railways to reduce detention to wagons and improve their turn round. The train locomotive is detained at the terminal till the loading or unloading operation, as the case may be, is completed. It has been presumed by the Railways that the cement industry will remodel their sidings for loading cement rakes and also develop other necessary infrastructure to load about 2300 tonnes of cement in five to six hours time.

However, this system has not taken into account the additional investments that the cement manufacturers will be required to make in remodelling their sidings and modifying their loading system to ensure loading/unloading in 5 to 6 hours time.

The Railways need to take the problems of the cement industry into account while attempting to optimise their wagon turn round. Adequate incentive should be given to the cement industry so that they can make additional investments. These incentives should include sharing the cost of remodelling the sidings by the Railways and improving the infrastructure for loading of wagons on terms mutually agreed between the Cement Industry and the Railways.

Warehousing and Terminal Facilities for Handling Cement traffic

Improvement to the existing unloading terminals on the railways has been discussed in the preceding paragraphs. The Railways need to adopt the strategies suggested, therein. The various aspects of providing warehousing at the rail head for unloading cement consignments have also been discussed. The strategy of providing warehousing facilities at the unloading terminals has been a success at Whitefield near Bangalore. The implementation of this strategy has economised the cost of rail transport to the cement industry by reducing the secondary freight charges substantially. The warehousing strategy, as a joint venture between the Railways and Central warehousing Corporation Limited, has been as success. The Ministry of Railways has decided to replicate the Whitefield experiment at a number of important terminals (Railway Board, 2004, letter dt. January 01). This strategy is well conceived and has been appreciated by the cement industry.
Modification of the Own Your Wagon Scheme

The scheme has not been popular with the cement industry. The reasons for the scheme, not being a success, have already been discussed in detail. The Railways need to modify this scheme to make it customer friendly by removing the irritants in the scheme.

Availability of Railway Rules and Procedures to the Cement Industry

In order to keep the confidence of the cement industry and to improve transparency in their working, the relevant railway rules and procedures must be available to this cement industry and their dealers. In fact, the railway should give adequate publicity to the rules and procedures, which are often needed by the customers. The rule books must be updated and new additions to the same must be published and widely circulated every year.

7.9 Directions for Future Research

The research on the present topic has brought out a number of areas, which need further investigation. These concern the various marketing strategies of the Indian Railways in transportation of cement. At the same time, these areas are also vital for the marketing of other commodities including those commodities which have got diverted to other modes of transport, particularly, the roadways, for movement by rail.

The marketing strategies of the Railways for the following commodities also need to be studied in detail:

- Petroleum Products
- Steel
- Coal
- Fertilizers
- Iron Ore for Export
- Raw Materials (like gypsum & limestone) for steel plants

The organisation set up of the Indian Railways also needs a detailed study. The areas which need study are:

- The change from the present organisational setup to a customer-focussed one
- Simplification of rules & procedures to make them customer-friendly.
- Ensuring availability of rakes to the customers.
- Improvements in the internal marketing of the Railways.
• Recruitment standards and processes.
• Training modules and methods
• Strategies for improving employee productivity

At present, the Railways are facing a conflict between their social responsibility and the commercial nature of the organisation. The Railways subsidize passenger traffic by increasing the freight rates. They carry a number of commodities like salt, fodder etc. which do not even pay for the cost of transport. There are a large number of uneconomic branch lines, which the Railways have to operate as a part of their social responsibility. The losses on account of all the above services have already been quantified. The following aspects of this problem can be taken up for future research:

• How to make the uneconomic branchlines viable.
• The imperatives of subsidizing passenger traffic in the present socio-political set up.
• The management of change for the Indian Railways.
• Tariff rebalancing and quality enhancement strategies for improving the share of transportation of non-bulk commodities for the Indian Railways.
• Marketing strategies of Railways for integration of rail, road and sea movement in order to have a seamless chain of movement of freight traffic.
• Strategies for improving speeds of freight trains.

Thus a number of studies are required in the above areas if we want to take comprehensive steps to arrest the decline in the share of Railways as transporters of freight traffic.
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