

# De-regulation Within the Rail-Market

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Providing Increased Customer Value

# CONCOR vis-à-vis Indian Railways

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- ❑ Government of India through Indian Railways Own 63% of CONCOR's equity.
  - ❑ Have provided land for construction of terminals.
  - ❑ Railways collect haulage charges for CONCOR's trains and license fee for land.
  - ❑ CONCOR Wagon Fleet is maintained by the Railways.
  - ❑ Officers on deputation from the Railways man senior and middle management positions in CONCOR.
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# The Backdrop

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- ❑ CONCOR has been the sole provider of rail-borne container transportation in India since 1990.
  - ❑ In 2005, Indian Railways announced a policy facilitating entry of new operators in the business of container transportation.
  - ❑ A level-playing field vis-à-vis CONCOR has been promised.
  - ❑ All the container train operators will be required to sign a “Concession Agreement” with Indian Railways.
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# The Arrangement

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- ❑ Indian Railways to provide the track (the path), locomotives, signaling and communication, train crew for running of container trains.
  - ❑ The train operator to procure wagons and set up its own terminals. Can use others' terminals also.
  - ❑ Land for terminals may be made available.
  - ❑ Maintenance of wagons by Railways.
  - ❑ Railways to collect train haulage charges.
  - ❑ Train operator free to charge its own tariff from customer.
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De-regulation: Why ?

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# Commodity Basket of Railways

	2004-05	Share	2005-06	Share
		%		%
Commodity	Mill Tonne		Mill Tonne	
<b>Coal</b>	271.4	<b>45.07</b>	293.5	<b>43.9</b>
<b>RMSP</b>	44.26	7.35	53.5	8.0
<b>Iron &amp; Steel</b>	15.24	2.53	16.5	2.5
<b>Iron Ore/Export</b>	36.41	6.05	46	6.9
<b>Cement</b>	53.78	8.93	58.5	8.8
<b>Foodgrains</b>	46.52	7.73	41	6.1
<b>Fertilizers</b>	28.75	4.77	34	5.1
<b>POL</b>	32	5.31	34	5.1
<b>Other Goods</b>	73.76	<b>12.25</b>	91	<b>13.6</b>
<b>Total</b>	<b>602.12</b>	100.00	<b>668</b>	100.0

# De-regulation: Why ?

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- ❑ During 2005-06 container traffic accounted for 20.45 million tonnes out of 668 million.
  - ❑ In terms of revenue also container contributes to only about 3% of Indian Railways total freight traffic earnings.
  - ❑ Container traffic has the potential to be a major revenue-earner during the next five to eight years.
  - ❑ The Railways felt that it would not be physically possible for one organization, i.e., CONCOR, to meet the challenge of a high rate of growth in container traffic.
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# Market Segments

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## The JNPT Case

### □ Imports

1. ICD by Rail (33.3 %)
2. ICD by Road (4%)
3. En Bloc CFS (59.7%)
4. Green Channel (3%)

### □ Export

1. ICD by Rail (22.6%)
  2. ICD by Road (7.5%)
  3. CFS by Road + Buffer Yard ( 26.5 % + 7.7%)
  4. Factory Stuffed under Excise Seal – RTS (35.7%)
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# Forecast Container Throughputs - India

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## Unconstrained Projection\*

	2006	2007	2008	2009	2010	2011
<b>WEST</b>	<b>3.3</b>	<b>3.8</b>	<b>4.5</b>	<b>5.2</b>	<b>6.1</b>	<b>7.2</b>
<b>N.WEST</b>	<b>0.7</b>	<b>0.8</b>	<b>1.0</b>	<b>1.2</b>	<b>1.5</b>	<b>1.8</b>
<b>SOUTH</b>	<b>1.5</b>	<b>1.8</b>	<b>2.1</b>	<b>2.4</b>	<b>2.7</b>	<b>3.1</b>
<b>TOTAL</b>	<b>5.5</b>	<b>6.4</b>	<b>7.6</b>	<b>8.8</b>	<b>10.3</b>	<b>12.1</b>

Million TEU

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\*Courtesy: Mr. Julian Bevis

# Competition for CONCOR ?

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- ❑ Competition for CONCOR (rail sector) is not new.
  - ❑ CONCOR/rail moves about 23% of the export/import containers moving through Indian ports.
  - ❑ Or about 50% of the hinterland traffic.
  - ❑ The goal should be to increase rail share.
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# The next five years

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- ❑ Structural Changes in Container Transport Business.
  - ❑ Development of Clusters of ICDs/CFSs.
  - ❑ Possible fragmentation of the market.
  - ❑ Port capacities: Operational Issues.
  - ❑ Living with certain uncertainties.
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# New Operator: The Start-up Challenges

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- ❑ Wagons – wheels/bogies.
  - ❑ ICD: Land, Catchment area,
  - ❑ Trained manpower.
  - ❑ Monitoring machinery for movement of trains, en-route detachment of wagons.
  - ❑ Exchange of information with Railways.
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# Immediate Implications

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- ❑ Escalation of land prices.
  - ❑ Costlier Wagons.
  - ❑ Costlier handling equipment.
  - ❑ Costlier manpower.
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# Immediate Operational issues.

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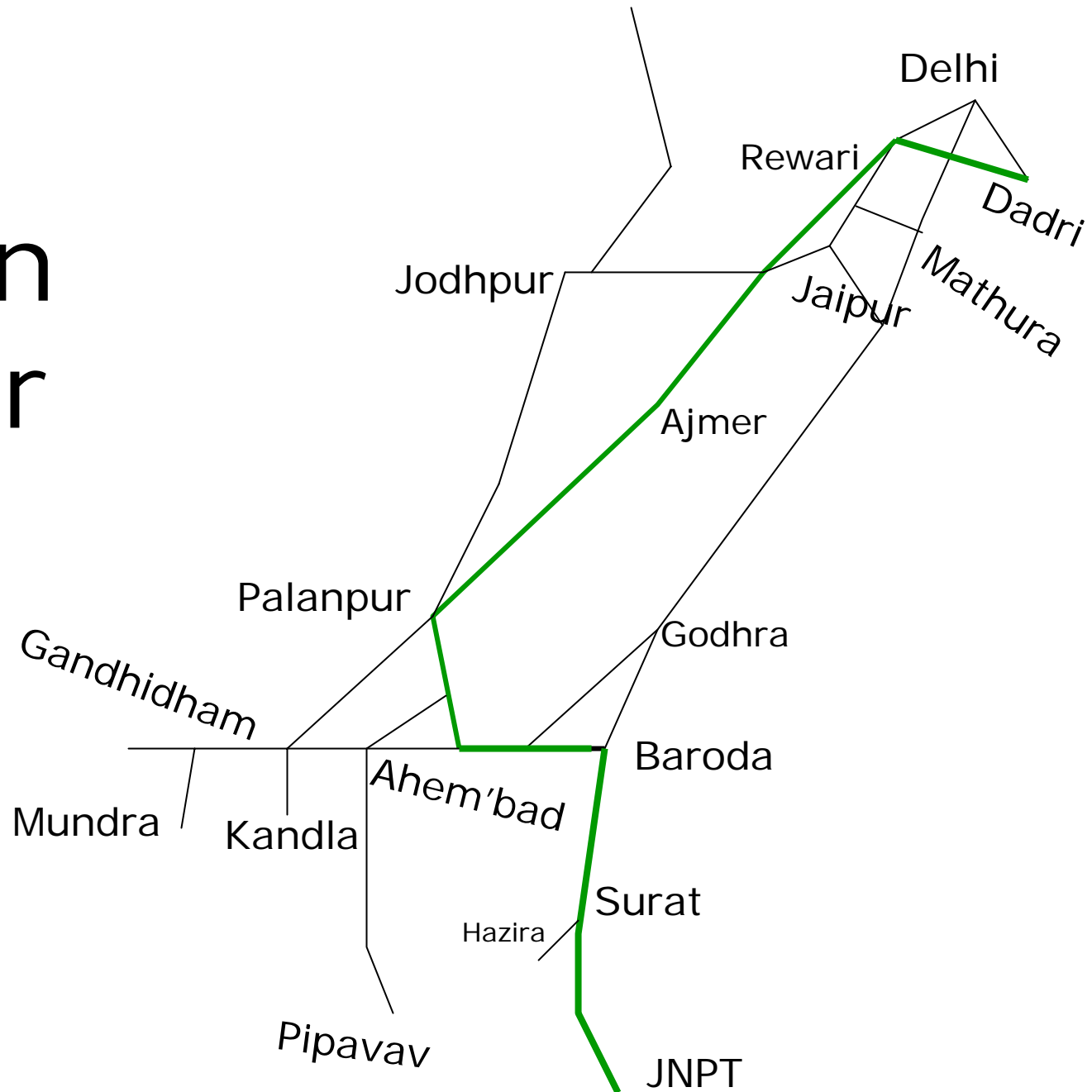
- ❑ Fragmentation of the volumes.
  - ❑ Minimising empty flat running.
  - ❑ Multiple operators at the same locations or ICDs with multi-port linkages- difficulty in forming full train loads.
  - ❑ Stacking Facility at ports.
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# Coping With Uncertainties:

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- ❑ Stability of rates.
  - ❑ Service guarantee issues.
  - ❑ Congestion level on important rail corridors have increased.
  - ❑ 'Dedicated Freight Corridor' : When?
  - ❑ Double stack operation? Routes?
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# The Western Corridor



# The Long-term Challenges

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- ❑ Evacuation challenges as bigger vessels discharge larger volumes. Making rakes available.
  - ❑ Port rail terminal capacities.
  - ❑ Imbalance between imports and exports.
  - ❑ Keeping end-costs under control.
  - ❑ Optimization under the Hub & Spoke model of operation.
  - ❑ Consolidation of hinterland volumes.
  - ❑ Dealing with competing demands of other traffic on rail infrastructure
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# In the Indian Market: demand is for

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- ❑ Reliability & Predictability of service.
  - ❑ Hinterland penetration capability of the service provider.
  - ❑ Agility and flexibility of the delivery system.
  - ❑ Stability of costs.
  - ❑ Informal Understandings.
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# *Increasing Value in a Changing Business Environment*

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- Guarantees in clearance/delivery.
    - System of premium and penalty?
  - End to end solutions.
  - Customization.
  - Faster processing & transactions.
  - Better information flow.
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# The Path Ahead: Collaboration, collaboration & collaboration.

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- ❑ Avoid competitive attrition.
  - ❑ Avoid duplication of static infrastructure.
  - ❑ Work together to bring about reduction in logistics Costs for customers.
  - ❑ Share each other's terminals and wagons.
  - ❑ Exchange as much information as possible.
  - ❑ Improve your processes.
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*Thank You*

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