

Rolling along a new track

The opening up of container rail transportation business has seen the entry of several new private players to meet the growing needs of international trade, writes **Aju Joseph**

The Indian Railways (IR) is no longer the proverbial 'white elephant'. Once a bleeding public sector unit, IR today presents the most successful turnaround story in recent times.

One of the largest employers in the world that survived on a no-profit and no-loss policy of successive governments, it has remained the backbone of India's foreign trade, with a large majority of cargo, both export and im-

port, being transported by rail. The container market is one of the major beneficiaries of the industry-friendly policies initiated by Lalu Prasad Yadav, the Railway Minister.

The container rail transportation busi-



NEW TRACKS: Fourteen private operators have obtained licences from the Railway Ministry

ness was so far restricted to just one player – government-owned Container Corporation of India (Concor). Many private parties are now rolling out their plans, after acquiring licences to do so. IR is thus scripting a new saga of private participation in container transportation in the country.

According to R C Dube, president of Association of Container Train Operators, and managing director of Pipavav Rail Corporation, various players are getting ready to commence steady operations. Gateway Rail Freight (a subsidiary of Mumbai-based Gateway Distriparks) and Concor are expected to roll out their services as soon as they get possession of the two trains they had ordered.

Bothra Shipping has already started moving containers using the facilities of the state-owned Central Warehousing Corporation (CWC). While operators like Adani group, J M Baxi, APL (India Infrastructure) and Hind Terminals are in the process of starting services by having their own facilities, four to five other players are in the process of setting up a network of inland container depots (ICDs) on land purchased or leased-out for the purpose.

Delhi Assam Roadways Corporation has announced its plans to start operations on domestic routes from September, to be followed by connecting seven ports on the east and west coasts. IR has proposed to lease out land to the operators on a common user basis. A policy to this effect is likely to be announced within one or two months, according to industry officials.

One of the early birds, Gateway Distriparks, started operations in May 2006 with its own ICDs and railways sliding at Garhi Harsaru, near Gurgaon in Haryana. "We moved trains from there to Pipavav, Mudra and JNPT," says Prem Kishan Gupta, vice-chairman and managing director of Gateway Distriparks. "According to an agreement with Concor, they were doing haulage and we the handling. Till March 2007, we have run about 227 trains."

The joint venture with Concor aims to construct and operate a rail-linked double-stack container terminal at Garhi Harsaru, connecting the National Capital Region (NCR) to the western ports.



ROLLING ON: Private operators have started acquiring wagons for their new business

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Gateway and Concor will have shareholding in the ratio of 51:49 respectively in the new company. The joint effort will also aim at consolidating cargo volumes of north India for double-stack container train operations on the diesel route from NCR to JNPT, Mundra and Pipavav.

Gateway is also planning to set up two other facilities in Faridabad and in Ludhiana in a year's time. It has a capital expenditure plan of about \$150 million for the project. According to Gupta, the company has already deployed over \$60 million.

Initially, the availability of wagons was a major hiccup for most players, but it's no longer a problem, says Dube. "In fact, 21-25 rakes are on order, and expected to be delivered within next two to three months," he says.

When containerisation was fast

catching up in developed countries, India witnessed a slow growth, despite immense scope for development. Concor was the only player in the container transportation business. In December 2005, the government announced its decision to issue licences for those interested in entering the business.

During the one-month period given for applications, about three-dozen firms evinced interest in the business, but only 14 – including Gateway Distriparks – finally bought licences from the Railway Ministry. Of these, 10 companies have paid about \$12 million each for obtaining the licence to move containers across the country and on export-import routes (which is called category-1 licence), while four others have taken route-specific licences (category 2 or 3) by paying \$2.5 million each.

Though the government issued licences to the 14 parties, including public sector undertakings like Concor and CWC, it did not have a concession agreement in place to take their planned agenda ahead. In January this year, the ministry called for a second round of applications for the licence. All 14 licence holders have subsequently signed the model concession agreement with the railways.

Union Railway Minister Lalu Prasad is indeed excited. "I am happy that 14 operators are investing \$132 million for

operation of around 2,000 containers. I am confident that in the next few years we will be able to attract investment worth several hundred million dollars in container and terminal operations," says the Minister.

Railway Board chairman J P Batra is equally thrilled. "Considering that container traffic is growing at 20 per cent annually, we will be able to add additional capacity through these agreements with private players," he notes. It would enable the railways to spend its limited resources on other priority areas, while giving tough competition to road freight

traffic with the addition of capacity, he adds.

As per the agreement, the licence holders would buy containers from manufacturers, build inland container depots (ICDs) and find customers, while the railways would run the trains. The companies had already paid the licence fee and the deadline for execution of the business has been kept as three years. Many players were hopeful about starting their respective businesses within four to six months from the signing date.

"We negotiated at length," points out Prem Kishan Gupta of Gateway Dis-

triparks. "Everyone has his own agenda to run the trains. Our issues have been largely addressed during the one-year period of negotiations. There were some common issues, which we took through the association of private container operators by rail."

Despite having the requisite licence to operate container trains, most of the participants were unable to start their service primarily due to two reasons. One was lack of required rolling stock (wagons). Due to prevailing sluggishness in the market that existed before the privatisation exercise, wagon manu-



BUOYANT INTERNATIONAL TRADE: Container handling is expanding rapidly in Indian ports

facturers in West Bengal and North India had closed down their production.

The sudden requirement for wagon was found to be not an easy one to fulfill. Importing as an option was prohibitive due to cost. "Most factories which were closed down due to lack of rolling stock orders are back on track and would be delivering orders from now on," says an industry official.

Another barrier was lack of terminal facilities and rail-linked ICDs. With costs becoming dearer, land is becoming a major entry barrier for these players now. "Most players who have bought licences

are now building up their ICDs with rail terminals/slidings," says Dube, citing an example of Gateway Distriparks, which has started box movement in collaboration with Concor.

From the beginning IR has made it clear that there would be a level playing field for everyone. Even Concor is not getting any preferential treatment from the Railways, pointed out an official from the state-owned firm.

Concor, which has a network of 58 rail-linked ICDs across the country linking almost all major cargo centres, has lined up plans to keep its dominant posi-

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tion intact in rail cargo transportation. It has set an ambitious target of 22 per cent volume growth for 2006-07, and to achieve this, the company has started putting in place strategic alliances with several private players, who have licences to start container freight operations in the country.

"By entering into alliances with the private companies, we can prevent duplication of resources," points out a senior Concor executive. "The memoranda of understanding (MoUs) signed with various companies will lead to collaboration in areas of setting up ICDs and procurement of rolling stock." Such partnerships permit each company to set up container depots and procure wagons on its own. But the MoUs enable them to utilise each other's resources as well, he points out. This means that Concor's trains can unload its wagons in a depot run by another company and vice versa.

With India's economy moving into the fast lane, foreign trade is booming. Every player avers that there would be more cargo to move. As the process of containerisation takes root, the industry expects a lot of cargo to migrate to the rail mode from roadways, making way for ceaseless movement of goods.

The Railway Minister has also proposed dedicated freight corridors, to augment cargo movement across the country. When these plans are transformed into reality, with port connectivity in place, they feel, exclusive freight corridors would speed up India's exports and imports. There will be no looking back then for the private container operators. 

