

# **Traffic Guarantee Agreement**

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**Director operations**

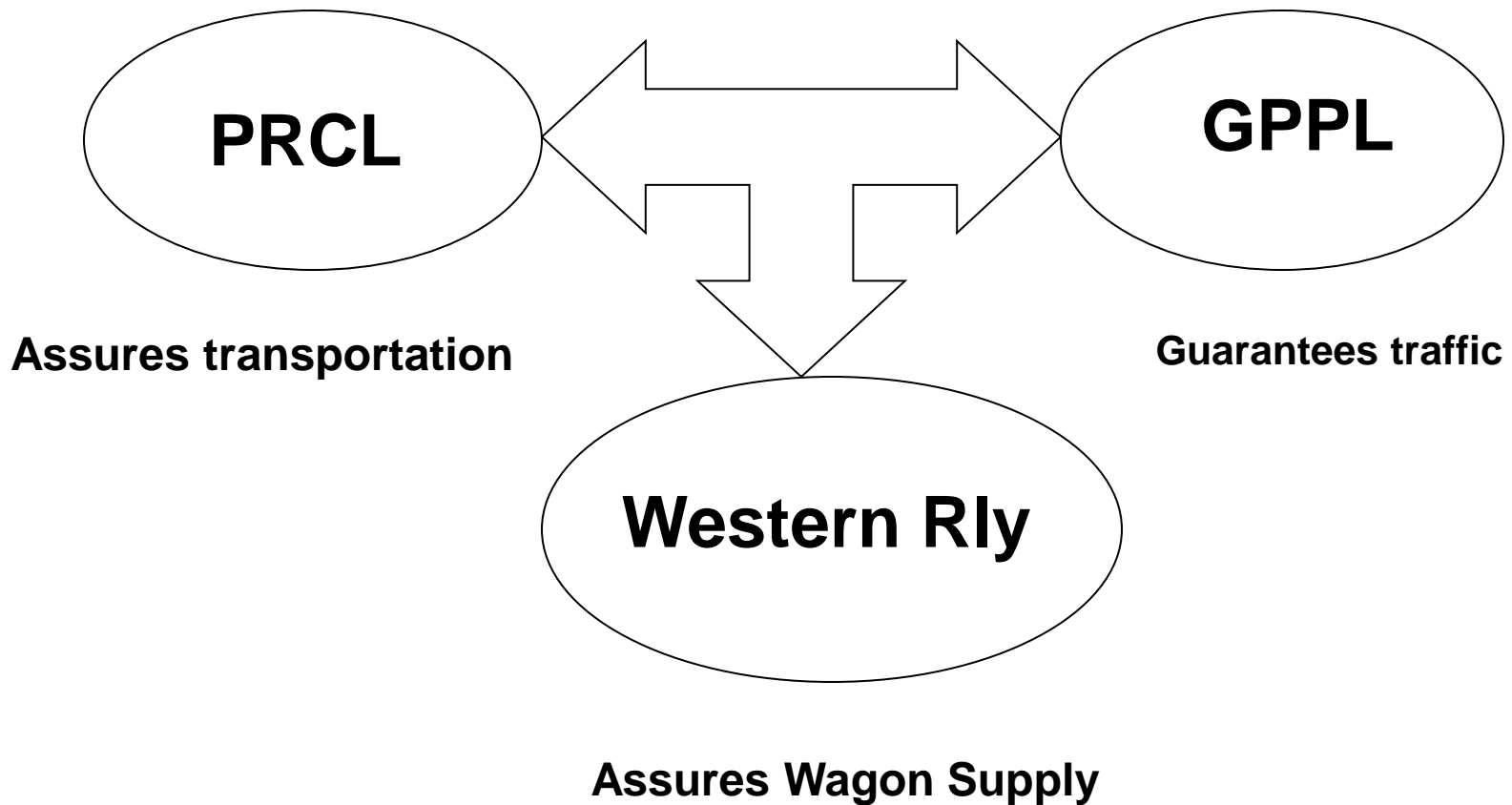
**Rail Vikas Nigam Limited**

**28<sup>th</sup> March 2007**

# Objectives

- To ensure bankability of the project
- To provide comfort and reduce risk perception of lenders/bankers and to get better rates for debt borrowing
- To bring out qualitative change in transportation services by having assured demand and availability of wagons

# Agreement Structure



# Salient Features

- Traffic Guarantees are offered as under:
  - 1 mt in 1st year
  - 2 mt in 2nd year
  - 3 mt from 3rd year onward
- For the purpose of penalty the short fall in performance is converted in money terms
- Conversion Formula
  - All India average freight rate per tonne kilometer x 264 (total length of the Project Railway) x shortfall quantity – the Variable Costs pertaining to the shortfall quantity.

# Salient Features

- Traffic running in both directions is to be counted for the purpose of Guranteed Traffic Quantity
- Agreement to come in force from the COD and after 3 years the reckoning period to be the Financial Year
- Once the Guaranteed traffic is offered in a Financial Year the commitments from both sides are over for the balance period

# Salient Features

- Western Railway shall guarantee to PRCL based on the indents placed at Port of Pipavav, provision of sufficient rolling stock for evacuation / movement
- No guaranteed provision of rolling stock for traffic originating from hinterland for the port
- GPPL to give monthly freight forecast

# Salient Features

- WR to plan availability of wagons against the indents placed at Pipavav Port accordingly subject to the provisions of preferential traffic schedule, quotas and restrictions from time to time.
- Through Joint Procedure Order the maximum no of indents to be placed in each of the siding will be decided
- At any given time indents equivalent to twice the daily forecast quantity for the siding or twice the loading capacity per day whichever is lesser shall be the upper limit on the number of such indents.

# Salient Features

- The indents placed at each siding of Port of Pipavav shall be serially numbered for the entire year. Indents for restricted destinations shall not be counted for this purpose till the restriction is in force.
- A monthly statement shall be prepared by Western Railway indicating: Opening Balance, Number of Indents placed, number of indents against which supplies were made, number of indents cancelled / forfeited. Closing Balance of indents at the Port of Pipavav. A separate account in respect of indents withdrawn after pending for 240 hours at the Port of Pipavav should also be compiled.



# Salient Features

- If any of the indents at the Port of Pipavav whose destinations / routes are not under any quota/restriction for a period of 240 hours at a stretch are withdrawn after pending as free indents for 240 hours before supply of wagons, the quantity of freight tonnage that would have accrued to PRCL had these indents been supplied, would be treated as Deemed Freight Traffic “DFT”

# Salient Features

- Western Railway shall prepare a monthly summary of the tonnage of the Freight Traffic originating from and terminating in PRCL based on which the total tonnage originating / terminating at the port shall be computed at the end of the year to which DFT shall be added. The quantity so derived shall be Port Traffic Quantity (“PTQ”).
- PTQ will be compiled and cumulated every month. In case PTQ is less than the Minimum Guaranteed Quantity for any Year, the shortfall attributable to GPPL (SG) shall be computed by the following method:
- Minimum Guaranteed Quantity Minus PTQ = SG.
- The shortfall attributable to WR (S-WR) shall be equal to the DFT pertaining to the year.



# Traffic Guarantee Performance

<b>Year</b>	<b>Shortfall mt</b>	<b>Penalty Rs Cr</b>
2003-04	0.61	9.39
2004-05	1.22	19.97
2005-06	1.88	27.00

**Thank You**