

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

To,
Mr. Vivek Srivastava
Executive Director (PG)
Ministry of Railways
Railway Board
New Delhi – 110 001

Dear Sir,

Subject: Ease of Business – Reducing Compliance burden on Industry
Ref.:Letter from your office, Ref. No. 2021/TC-IV/2/Regulatory Compliance Portal, Dtd 17.02.2021

With reference to your above mentioned letter, we are giving below our suggestions for your kind consideration:.

(A) Improvements and Modifications for Higher Productivity and Better Results:

1. The private wagon builders are, at present required to pay up on account of Design Loan Charges, Design Approval Charges and Inspection Charges altogether referred to as Consultancy Charges to RDSO with regard to manufacture of wagons against Non-Railway Contract (NRC).

The existing process is partly online and partly manual. The generation of invoices by RDSO is carried out manually followed by transfer of payment through digital/electronic fund transfer and once again concluded by manual release of approval by the competent authority of RDSO. The entire process easily consumes around 20-25 work days when completed at the fastest.

For railway contracts the above charges do not apply and no such time period is communicated. Thus, a clear demarcation has been created between the Indian Railway Board Contracts and the Non-Railway Contracts with regard to implications of consultancy charges which also vary with the types of wagons. The cost of procurement of wagons becomes higher for the private wagon leasing companies.

While promoting more & more private participation in the Wagon Leasing Scheme of the Indian Railways, this additional cost burden due to the above mentioned consultancy charges of RDSO, the implied intents of the Government with regard to maintaining uniformity in pricing throughout the entire cross section of the industrial fraternity remain unfulfilled. **Hence, it is suggested that the mandate on payment of RDSO consultancy charges for wagons manufactured under Non-Railway Contracts be withdrawn.** This would make wagon procurement by private operators more attractive and consequently delivery time will be shortened for the wagon builders which will improve utilisation of capacity and productivity.

2. Under the 'AtmaNirbhar Bharat' and 'Make in India' philosophy, it is expected that more and more entrepreneurs would be encouraged to venture upon manufacturing import substitutes and introduce advanced technology with services for use in the Indian Railway Systems. Under the current regime, new vendor registration formalities require 18-24 months of field trial of products

and services only. The products and services which are globally accredited under AAR/UIC and are going to be manufactured/serviced through joint venture companies established in India, are subjected to such extra-long entry period which almost douse the zeal and tempo of the Indian entrepreneurs along with their foreign technology partners. The investments made in India for such projects remain stagnant with regard to the rate of return for an unusually long span of time.

The situation is deterrent for fructifying indigenisation of products and services. **Hence, it is suggested that i) The trial period for the AAR/UIC certified products & services be reduced to 6-9 months. ii) A dedicated and focussed scheme may be launched to fast-track the approval of accredited products and services through a green channel.** This will enhance the purpose and morale of the MSME and the investors to introduce more & more qualified imports substitutes into the Indian Railway Systems along with transfer of proven technologies.

Under the existing norms for distribution of quantity of wagons against any Indian Railway Board contract, ordering quantity is allotted in relation to the established capacities of the private wagon builders. This method of allocation eventually disregards the performance records of the wagon builders. As a result the wagon building companies which have been keeping their manufacturing activities under suspension or have not executed earlier contracts on time and have backlogs of pending orders, escape answerability towards their non-performance yet can grab fresh contracts. Simultaneously the performing Companies are forced to settle for allotment less than their installed capacities. Thus, a situation arises wherein non-performers can block orders without delivery while the performing Companies go partially dry with their unutilised capacities.

Further, the pending and undelivered quantities of wagons show up as ordered against indent and thereby implicate and deter fresh indents from being generated which once again in a cascading effect, cause draught in ordering cycle driving the performers into challenges for survival. **Hence, it is suggested that during allocation of contract by the Indian Railway Board, the performing Companies must be given preference by way of grant of allocation to their full capacity and the surplus beyond such allocation may be made available to the non-performers.** This will not only motivate and consolidate the performing companies but also ensure the Indian Railways of receipt of the wagons required by them to augment revenue earning.

3. **Product and Vendor Approval Process:** Currently Indian Railways (RDSO/CLW) product and vendor approval criteria are extremely tedious and challenging for suppliers. It could take years for approvals subsequent to development of a product or investment in the country and this also delays some of the visionary projects of Indian Railways. A good example could be approval of WCMS, which is an excellent initiative of Indian Railways and directly link with vision of increasing speed and heavy haul operations. The process can be simplified in case of products introduced are as per global practices / standards or approved by internationally accredited agencies or is being manufactured per exact international process which is in successful operation elsewhere and transferred to India through Technology Transfer or through License to manufacture.
4. India's **Make in India (MII)** Policy and Public Procurement Order (PPO) is an excellent initiative of the Government and fully supported by local and global players. Global players and manufacturers are willing to invest under MII. However, multiple challenges are being faced by global companies who intend to support this, some of these are mentioned below and we request Railway Board to look into this:

- a. A global organization who has already been working with Indian Railways, if decide to localize the same product in India is required to go through a fresh approval procedure which itself takes a long time and thus a major disruption in the business for these global companies. Industry request Railways to **automatically approve Local subsidiaries or affiliate companies of already approved global vendors** for the same products for them to invest without business disruption.
- b. PPO Order dated 16th September 2020, Clause No. 13 allow Nodal Ministries to make provision for exempting suppliers from meeting the stipulated local content if the product being manufactured in India under a licence from a foreign manufacturer who has the Intellectual Property and there is a technology collaboration agreement or ToT for indigenous manufacture with clear phasing of increase in local content. **Ministry of Railways should use this clause in all Tenders to facilitate technology transfer in India and develop capabilities and skills in India.**

5. Indian Railways currently evaluates tenders based on the all-inclusive (Basic price + GST) prices and correctness of the Tax Classification of the goods is left to the Bidders. However Post GST there have been differential GST rates assigned for CTH 86 which attracted 5% GST (later revised to 12% in December'2019) falling under this CTH. For other CTH the GST Rates are @18% or @28% based on the Classification Norms even if supplied to Railways/Railway Applications. Few Bidders have been wrongly classifying the goods under CTH 86 and adjusting their basic price upwards and still be lower on all-inclusive category for tender evaluation and profiteering themselves while hurting genuine and compliant bidders who would otherwise lowest bidders (excluding GST) and also resulting in loss to exchequer of the country. The Hon'ble Allahabad High Court actually gave an order on this subject where-in they "reiterated that the Railways is under obligation to provide uniform treatment to all bidders by mentioning HSN Code in the tender document so as to insist that they mention correct GST rates for selection in the tender process." **Current practice of evaluation makes it difficult to do business for genuine and compliant suppliers, it is requested that this anomaly may please be corrected in IREPS itself.**

6. **Treatment of Local Content:** Many equipment / machines procured by Indian Railways from Global OEMs are manufactured by them using parts imported from Indian manufacturers / Suppliers. Although these materials may be manufactured outside of India but has significant local/India content in it. However, there is no methodology or process in place with customs to consider this as "Local Content". Identification of exported components cannot be established at the time of import of complete assembly. We request Indian Railways to consider Self-declaration from the suppliers with proof of purchase of components from local suppliers and consider machines / equipment manufactured outside with components from India in the local content definition. That will allow Indian Railway to leverage global technology and capacity available and simultaneously develop or encourage local supply chain in the interest of the country.

7. **Rejection Criteria / Order Cancellations and Mediation & Arbitration:** It has been observed by many suppliers that currently the acceptance of material supplied to Indian Railways facilities is very subjective and standard conditions of contract are unilateral and not balanced. Additionally, recently it has been observed purchase orders are being cancelled either because of paucity of funds or on delayed deliveries. This does have a huge business impact on suppliers and hurt their business. There is no recourse left for the company or suppliers to remedy the situation in case material is rejected by the units for whatsoever reason. A **mediation or an adjudication** process

with an independent mediator or adjudicator should be put in place to improve ease of doing business. At present, either the Arbitration is not there or the arbitration provision is with Railway Officer(s) as arbitrator. Provision of arbitration per International arbitration act with independent arbitration will help with contract enforcement. A **balanced terms and conditions**, probably **FIDIC terms and enforcement of contracts** will help ease of doing business.

8. **Unit Exchange Program (UTEX)** – Unit exchange is a process to export the failed part and import a remanufactured part after discharging applicable rate of duties and taxes. This process is complicated and practically not doable when perform from India whereas in USA & Australia UTEX program is well regulated and simplified. Unit exchange process and program if implemented will help Indian Railways improve availability of assets as that will encourage suppliers to keep dirty or damaged parts or equipment ready for exchange as soon as any failure is observed and Indian Railways can practically work with minimal or zero inventory. Aviation Industry successfully run UTEX program globally and is well supported by Governments. That helps aviation industry with this level of availability of their assets / aircrafts. Similar program in Indian Railways should help industry and will ensure improved availability of critical assets of Railways.
9. **Production Linked Incentive Scheme**- The Government of India introduced PLI Scheme in November 2020 with outcome oriented method. It was approved for 10 Sectors for enhancing India's manufacturing capabilities and enhancing exports under Atmanirbhar Bharat initiative. However, Railways sector was not included in the PLI scheme, request India Railways to help get **Railways Industry and Heavy Industry** included to increase the ambit of this scheme in FTP 2021 – 2026 to encourage suppliers of Indian Railways and bring them on par with other industry.

(B) Suggestions for Trade & Customs Facilitation:

1. **RoDTEP Scheme “Remission of Duties and Taxes on Exported Products”** - is a new scheme launched by the government to replace the existing MEIS scheme for exports of goods from India. RoDTEP Scheme, to benefit the exporters in place of MEIS was announced vide press release dated 31-Dec-2020, w.e.f. 01-Jan-2021, to all export goods. List of export items that would be eligible to such benefit and the corresponding rates have not been notified yet. Notifications from DGFT and MOF still awaited and we request **Indian Railways to get Railway Parts or Equipment included in the list** to help encourage the industry.
2. **IGST – HS Code 8409 (Parts For Engines Of Heading 8407 Or 8408) & 8483 (Transmission shafts (including cam shafts and crank shafts) and cranks; Bearings housings and plain shaft bearings; Gears and gearing; Ball or roller screws; Gear boxes and other speed changers, including torque converters; Flywheels and pulleys) procured by Indian Railways still attracts 28% IGST.** Most of the similar commodities in the same or similar categories are with 18% GST which puts Railway suppliers in dis-advantageous positions. Request Indian Railways to raise this with relevant ministry and help correct this anomaly.
3. Beside that there are several other areas not directly within the control of Indian Railways but do effect suppliers of Rail Industry that we would like to highlight and if these can be taken up with respective ministries to improve ease of doing business:

- a. **TSK – Turant Suvidha Kendra** – TSKs should be set up at all Customs ports. TSKs shall accept all types of bond which amongst other include Provisional Assessment bond, warehousing bond, Letter of Undertakings, SVB bonds and Bonds pertaining to License section – ECPG/MEIS etc. Bond registration need to be simplified.
- b. **CAROTAR – Customs (Administration of Rules of Origin under Trade Agreements) Rules 2020** – It was introduced follow the process for verification of Country of Origin - COO from the exporting country. Customs Officer need to be satisfied that origin criteria is met, he shall accept the claim and inform within 15 working days from the date of receipt of said information and documents. But in practical scenario there are unprecedented delays reported. So to reduce unwarranted delays & implementation should be addressed by issuing regular instruction/advisory to the officers.
- c. **SVB Investigation** – Special Valuation Branch (SVB) is generally taking 3-5 years to complete SVB order investigations. Due to this long period various circumstances changes within the company and in the market. Submissions made at the start becomes redundant and it becomes difficult for the Importer to run their business smoothly. If Indian Railways can suggest to relevant ministry to help complete Investigations of Indian Railway suppliers through streamlined & faster process.
- d. **Customs Duties on goods originating from USA** e.g. HS code 7318 (Articles of iron or steel - Nut, Bolts) attracts 25% of Basic Customs Duty on goods originating from USA whereas other origins attract much lesser duty i.e. 10%.
- e. **Self -declaration regime** should be practiced and audit based approach should be promoted. Most of the larger economies like USA, Australia uses self-declaration regime at the time of import and export. Annual audits performed by the authorities to check the declarations made the time of import & export. Post entry amendments and voluntary declarations should be encouraged in order to discharge correct duties and taxes to the Government.

3) Iron ore permits integration to FOIS: DMG, Forest & Railways – Avoid Delays

Iron ore procured through e-auction moved through Railways with multi-level documentations and procedures between Dept. of Mines & Geology, Forest Dept. & Indian Railways. The rakes are forced to be held up even after loading completion due to server issues and permit issues. Request for develop a system integrating the three, Dept. of Mines & Geology, Forest Dept. and Indian Railways, so that the manual movement of documents from DMG, Forest & Railway Station can be avoided, and delays / detention of rakes can be minimized. This will also ensure the documentation is accurate & loading permits vs allocated material is available with Railways for legal transactions only. Due to the same min. 30 – 45% improvement in Rake turn around can be expected.

Integration of FOIS with Major Customer ERP system: Seamless Data flow & visibility

Indian Railways are in a path of Digitalisation in all their operations like placing indents, weighbridge integration and tracking of movement etc. In the same way even the Industries with large Rail shares are having their own ERP systems, where same data of Rake name, wagon

details and commodity are entered manually for record and transactions. It is a request to Indian Railways to give major Rail customers to integrate with FOIS system, so that duplication of work is avoided and information like e-waybill, wagon and rake details and transit tracking can be integrated between Railway FOIS & ERP's.

Standard PCC for Steel Concord Rakes: To Increase Productivity:

Concord rakes are usually supplied with a combination of BRN & BOST wagons with PCC of 61t - 66t per wagon. Concord rakes are arriving from different Zones to customer, It is difficult to forecast by customer which rake & what combinations of wagons will be supplied for loading. Thus, users are unable to plan production to optimize the loadability in each wagon as rakes are with varying PCC's. This is leading to either under loading of wagons or non-uniform loading of the rakes. Standardisation of all wagons PCC to be fixed higher side 64-66 Mt with that Railway will be benefited by Rs.250-300 Crore annually.

Priority in Supply of Iron ore Rakes for Domestic consumption

The theme of AtmaNirbhar Bharat is excellent with the National Rail Plan. However AtmaNirbharta shall be possible, when the Raw material resources are converted in to finished goods and then exported to the world which increases its value. In India, however the Iron ore is exported to various parts of the world when the domestic industries are striving for production. It is requested Railway Board, for prioritising rake supply of Iron ore to Domestic consumption in steel industry. The supply for export iron ore should be second priority and the freight may also be inflated over domestic iron ore freight.

Timely Deliveries of Freight trains: to be improved

Present speed of freight trains are 27kmph & is leading to delay in transportation of Raw Material to customers. Thus, road is being prioritized for guaranteed & faster lead time by customers. Systems & delays may be looked upon to improve transit time improvement by increasing actual speed to 60kmph, with min detentions enroute.

General Purpose wagons also to be part of LSFTO Scheme

LSFTO is an attractive scheme for investors / customers for investing in Railway wagons for their operations. However, the scheme is covering only High Capacity Wagon (HCW) or SPW (Special Purpose Wagon). But, the industries like Steel, Coal or Cement are also in need of General-Purpose Wagons like BOXN, BRN, BCN, BOBSN etc. which are permitted to be procured under GPWIS only. However, the GPWIS scheme has its limitations and at industry level return expectation is between 5 to 6 years, but there is capping of ROI in GPWIS scheme. We request Railways to kindly permit General purpose wagons in LSFTO schemes, so that the customers will be encouraged to invest in General purpose wagons and Railway can focus on infrastructure development alone, then rolling stocks.

Fast track Approvals & Agreements in Investment schemes / Policies

There has been a paradigm shift in how the Railways are working and the focus on customer centricity is clear in the approach and support extended time to time. This is perfect for daily operations, and business of loading – unloading. But when it goes in to Investments, Project approval and Agreements, we feel there needs to be a great change in the system of working. We request Railways to have a well-defined Timelines, Agreement formats and clarity for speeding up

the process. There is min 30 – 60 days taken min., for an agreement to be drafted , agreed and executed which literally delays interested customers projects by same days, which is loss to Nation.

Dedicated Freight corridor (DFC): Goa - Chennai route (via Hubli-Hospet-Bellary)

Looking at the opportunity for growth in the states of Goa, Karnataka, Telangana, Andhra Pradesh & Tamilnadu linked between Chennai to Goa port Railway should plan for the Dedicated Freight Corridor. This will help the Cement, Power & Steel industries, and boost Exim movements at both major ports. The region between Guntakal – Hubli is far from Ports and dependency on Road & Rail transport is high. Thus, with voluminous movements for Steel, Power & Cement sectors a Dedicated freight corridor is the need of the hour.

Scheme for Development of Service Centres and PFT's at Railway Land

Availability of suitable land near the railway stations is the key bottleneck in development of Private freight terminals. If the state-of-the-art private freight terminals are developed on Railway unutilized Land on PPP model or land leasing scheme. It will lead to substantial increase the railway traffic as well as bring in additional revenue from terminal operation or lease rental. Many of the Public good sheds are not in good conditions and far from stockyards, which increases the logistics costs and damage rate. Railway siding located in strategic locations across India to be fully developed with best class infra to handle all types of consignment (Bulk, break bulk, steel, container etc.)

Permission to develop Train Examination Facility on PPP Model, in Railway land

Expansion and Growth in Industries will demand for higher number of rakes and wagons in operations. On safety ground each rake will need Train examination (TXR) time to time for smooth operations. However, there are limited numbers of TXR facility in each zones / division which lead to delay in checking of rakes and lesser availability of rakes for loading, or idling time is more. We do understand that Railways are having surplus space in major junctions / goods sheds where TXR facilities with modern infrastructures can be commissioned. We propose to Railways to release a Policy, where a customer who is in demand of wagons, may develop Railway TXR facility in Railway land nearby to the plant / loading point, so that the rake availability is good. This will lead to effective utilisation of Railway land and increased business to Railways.

100% RFID tagging of Railway wagon – Integration at Sidings also for ease of tracking

Indian Railway has already started installing RFID tags on new wagons which are coming in to operations and on the old wagons after POH. As we understand the same is planned to be used for maintenance purpose to avoid manual data entry at Checking points. This is a welcome step for wagon tracking, and we request Railways to go for 100% RFID tagging of all wagons and same access can be given to Major customers for ease of tracking of wagons at entry – exit points of sidings. This will avoid manual data entry and ensure accuracy in wagon details. We also request Railways to integrate system, where RFID can track wagons enroute and help track loaded wagons which are moving in IR large network with ease.

4) Need for Balance in Localization and Development: It is recommended to modify policies for providing opportunity to firms by placing developmental orders to help in establishing and developing technological capabilities of firms capable to support. A centralized agency to be created to efficiently address and evaluate new ideas for implementation and arrange requisite report to such ventures.

5) Additional Suggestions

Sl. No	Area of Concern	Suggestions
1	Need to adopt RDSO design for rail – drain crossings & other engineering details	With improvements in grade of concrete, steel, new materials, innovative designs duly vetted by institutes of repute like IITs. SERC etc may also be allowed without any need of railway review or design vetting.
2	Railway clearance necessary for procurement of rails, points, crossings and fixtures for private sidings	Railways to provide list of approved suppliers with a quality assurance guidelines for siding buyers avoiding time loss and cost incurred on account of railway inspection and certification.
3	Approval system of Feasibility report/ DPR/ ESP	At present all the department HOD signs the documents, it should be signed by those HOD who are relevant for the subject.
4	Codal charges	Codal charges should be based on market rates or rates on which customer release the orders and not on railway SOR rates.
5	Reduction in Construction time	DFCC/RVNL to get clearances in advance from IR and NHAI before tender to save time for construction
6	Availability of Mines	Mines to be tied upfront by DFCC
7	Technology based approvals	Embrace digitization in design related approvals instead of paper based approvals for faster & more efficient processing.
8	Expediting supplies	Once a source of material is approved by IR/RVNL/DFCC no further source approval in order to expedite supplies
9	RFP & Tender related suggestions	RFP support to protect contract equipment and personals Railway utilities to be diverted prior to award of tender
10	Adequate ROW for service road	While acquiring land, sufficient ROW to be acquired to make haul/service road which can be used during maintenance also

We hope that our above mentioned suggestions will merit your kind consideration.

With kind regards,

D S Rajora

Asstt Secretary General

ASSOCHAM

TEL:011-46550555,9818483881