Government of India
Ministry of Railways
(Railway Board)

No.2008/PL/9/16 New Delhi, 21.02.2011

The General Managers,
All Indian Railways.

Sub: R2CI Policy-Policy for Rail Connectivity to Coal and Iron Ore mines

1. **Objective**: With the robust growth of the Indian economy the demand for coal and iron ore to meet the needs of the power and steel sectors as well as other industries is growing at a fast pace. A number of new coal blocks and iron ore mines have been identified for exploitation . Many of these do not have a rail-road connectivity. Indian Railways have therefore, decided to take pro-active action to handle this potential spurt in traffic. Railway Board have already come up with new R3i policy for attracting private sector participation in rail connectivity projects but this policy had excluded coal mines and iron-ore mines from its ambit. Accordingly a new policy called R2CI has been formulated. The objective of this policy is to facilitate and provide incentives to customers to invest in rail connectivity for coal or iron ore blocks, keeping in mind their specific requirements.

2. **Eligibility**: Only those new line proposals which are 20 kms or more in length (excluding the length of siding which may take off from this line) shall be eligible under this policy.

3. **Alternative Models**: The policy has two models, viz. Capital cost model and SPV model. While applicants may choose and indicate preference for one of the models, Ministry of Railways reserves the right to decide which model shall be applicable and the decision of Ministry of Railways shall be final. In both the models the Projects will be sanctioned as Railway projects.

3.1 Capital Cost Model:

3.1.1 The capital cost of construction shall be fully borne by the **applicants** who may be a single entity (i.e. Proprietership, Partnership firm or company registered under Companies Act) **or a Joint Venture entity**.

In case of a joint Venture Company,

- Separate identity/name shall be given to the Joint Venture firm.
- Number of members in a JV firm shall not be more than three .

- The applicant (i.e. the Coal/Iron ore Mining entity) shall invariably be the lead member of the JV firm with the majority (at least 51%) share of interest in the JV firm. In case of JV firm with foreign member(s), the lead member has to be an Indian firm with a minimum share of 51%.

- A copy of Joint Venture Agreement executed by the JV members shall be submitted by the JV firm along with the proposal. The complete details of the members of the JV firm, their share and responsibility in the JV firm etc. particularly w.r.t. financial, technical and other obligations shall be furnished in the Joint Venture Agreement. (The Joint Venture Agreement format for this purpose shall be finalized by the Railway in consultation with their law branch).

v) Once the proposal is submitted, the Joint Venture Agreement shall not be modified/altered/terminated during the validity of the construction period and till Commercial Operation Date of the new line. However, approval for change of constitution of JV firm in exceptional cases can be made only at the sole discretion of the Ministry of Railways. In any case the Lead member should continue to be the Lead member of the JV firm.

3.1.2 Land will be made available by the applicant or acquired by Railways at applicant's cost. In case of acquisition of land by railways, full cost of the land will be paid by the applicant to Railways in advance. The ownership of the land will, however, vest with Railways.

3.1.3 The line can be constructed either by the applicant directly to Railway's specifications under railway's supervision or by the Railways on deposit terms directly or through its approved agencies.

3.1.4 After construction, the ownership of the line will be taken over by Railways at nil cost. Railways will undertake the operations and maintenance of the line at its own cost. Terminal charges shall not be levied by the railways at the originating point.

3.1.5 Railways will charge freight at normal tariff rates from the railhead at the mine. Freight revenue will not be shared and there will not be any provision for freight concession.

3.1.6 The company/firm/organization developing the new line would be allowed to charge development charges from the customers or alternatively would be compensated by the railways through levy of a surcharge on the customers till the applicant recovers the cost of original investment (including the cost of land), without interest. The quantum of surcharge and the period of repayment will vary from case to case but the period will ordinarily not be less than 10 years and not more than 25 years from the date of commercial operation of the line.

3.1.7 The original cost of acquisition of land will be repaid to the applicant at the end of the concession period without any escalation/interest whatsoever.

3.2 SPV Model

3.2.1 This model envisages formation of an SPV with participation of other departments/PSUs of Ministries, private entrepreneurs, State Governments concerned (if possible) and with token participation by MOR. The composition of such an SPV may vary as per requirement of each project.

3.2.2 Land shall be acquired by the SPV at the SPV's cost but ownership of the land will be transferred to Indian Railways. However, in cases where the proposed line passes through forest land and/or through environmentally sensitive areas, railways shall assist the SPV in acquisition of land. The original cost of acquisition of land will be repaid to the SPV at the end of the concession period without any escalation/interest whatsoever.

3.2.3 Construction would either be done by the SPV itself through competitive bidding or by the Railways (as a deposit work), or its approved agencies at the cost of SPV, at the option of SPV. After construction, the line will be handed over to Railways at nil cost. Railways will undertake O&M of the line at its own cost.

3.2.4 The line and the land shall be owned by MOR from the very beginning.

3.2.5 Railways will charge the entire freight right from the pit head/buffer. No freight rebate or sharing of revenue shall be admissible under this policy.

3.2.6 Railways will levy a surcharge on the customers which will accrue to the SPV through an escrow account which will primarily be used for repayment of investment (without interest) of different investors in due proportion spread over a period of 25 years, and the remaining funds will be used for further investments in the infrastructure project as and when required.

3.2.7 To take care of the consumers/players joining subsequently, the SPV will prepare a master plan incorporating the future requirements. The concept of arterial line and subsidiary line will be applied. Those joining at later stage can do so at any feasible location on the arterial line. Such late entrants will however be required to pay pre-specified contribution to SPV. This will also contribute towards compensation for the original investors.

3.2.8 In case the new line becomes a shorter route for existing traffic, railways shall reserve the right to levy freight on an inflated distance basis.

4.0 Railways reserve the right to move any other traffic on this line, under both the alternative models in public interest or otherwise without compromising on the traffic requirement of the SPV/applicant.

5.0 **Exit Policy**: Obligations relating to lock-in or change of ownership in case of the SPV would be incorporated in the share-holders' agreement. Between the date of the execution and the Commercial Operation Date (COD), transfer of shares to any other entity, except as provided in the Agreement, would not be permitted. Limited right to assign certain percentage of the share may, however, be provided in the Agreement, if required in specific cases.

6.0 All sidings taking off from these new lines will be governed by the rules governing sidings.

7.0 For both the models mentioned above, Railway Board shall circulate the model agreement to the zonal railways for entering into agreement with the applicant.

8.0 Planning Directorate will be the nodal Directorate for all matters concerning this policy with ED/Planning as the nodal officer.

9.0 This policy is being issued with the concurrence of Civil Engineering and Finance directorates of Railway Board.

N Madhusudan Rao

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Executive Director (Planning)
Railway Board

No.2008/PL/9/16 New Delhi, dated 21 .02.2011

Copy for information:-

1. FA &CAOs, All Indian Railways
2. Deputy Comptroller and Auditor General of India (Railways), New Delhi with 6 spares.

For Financial Commissioner (Railways)

No.2008/PL/9/16 New Delhi, dated 21.02.2011

1. Chief Commercial Managers, All Indian Railways
2. Chief Operating Managers, All Indian Railways
3. Managing Director, CRIS, Chanakyapuri, New Delhi-110 023
4. The Chief Administrative Officers, FOIS, Northern Railway, Camp:CRIS, Chanakyapuri, New Delhi-110 023

5. Managing Director, Konkan Railway Corporation, Belapur Bhavan, Sector-11, CBD Belapur, New Mumbai-400614
6. Director General, Railway Staff College, Vadodara
7. Director, Institute of Rail Transport Management (IRITM), Manaknagar, Lucknow.

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