



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/15/2002	
<b>PROJ ID:</b> P009870		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Container Transport	<b>Project Costs (US\$M)</b>	151	n.a.
<b>Country:</b> India	<b>Loan/Credit (US\$M)</b>	94	45
<b>Sector(s):</b> Board: TR - Railways (99%), Central government administration (1%)	<b>Cofinancing (US\$M)</b>	4	n.a.
<b>L/C Number:</b> L3753			
	<b>Board Approval (FY)</b>		94
<b>Partners involved :</b> The Netherlands	<b>Closing Date</b>	12/31/1999	12/31/2001

<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

- i) improve institutional framework for efficient and competitive container transport to serve both foreign and domestic trade
- ii) strengthen the commercial and operational performance of the Container Corporation of India (CONCOR) in an increasingly competitive environment
- iii) greatly improve the service level and capacity in the corridors by providing modern technology rolling stock to permit regular block train operations on gateway port corridors

**b. Components**

The components closely paralleled the objectives.

For objective (i) :

- remove restrictive customs practices and policies restricting movement of containers, including by road, and
- expand working hours at Tughlakabad (TKD) Inland Container Depot (ICD)

For objective (ii)

- formalize service relations with Indian Railways (IR) relating to container service trains
- divest at least five percent of Government of India (GOI) equity in the Container Corporation (CONCOR) as first step to diversify shareholder base and strengthen commercial orientation
- broaden composition of CONCOR's Board of Directors to introduce nonofficial directors
- reform CONCOR's claim policy to meet customer demand and be competitive with road transport
- provide technical assistance and training to improve CONCOR's operational, commercial, financial and general management capabilities
- provide computer systems and related software and related software to computerize accounting and inventory control and providing commercial logistic support to CONCOR

For objective (iii)

- acquire and retrofit 1,200 bogie container flatcars (BFKI)
- acquire 1,500 new container flatcars of new design and high speed capability
- acquire five prototype 60-foot platform wagonblocks for testing purposes and in preparation for the next generation of higher capacity flatcar
- acquire 750 new flatcars that could be similar to the 1,500 flatcars above or to the prototypes if such design is approved by start of procurement
- acquire complementary cargo handling equipment
- acquire an electronic tracking system for container trains, flatcars and containers on a pilot basis
- carry out civil works to complete TKD ICD, and construct ICDs at Ludhiana and Hyderabad
- provide engineering services for design, inspection and test of flatcars

The component for objective (i) and the component for objective (ii), [with the exception of its last two sub-components] are, in fact, conditions for actions to be taken by GOI, IR and/or CONCOR. The project provided no specific assistance for such actions

**c. Comments on Project Cost, Financing and Dates**

The ICR fails to provide the standard cost table Annex. The ICR only provides information on the project items financed by the Bank. As a result, it is not possible to judge actual costs, or to compare them with appraisal estimates. According to the SAR, the project was estimated to cost \$151 million, to be financed as follows: the Bank, \$94 m, to cover foreign exchange costs; the Netherlands, \$4 million for technical assistance; and, CONCOR, \$53 million. According to the ICR, the Bank disbursed \$45.1 million only. The large cancellation (\$48.9 million) mainly was due to lower than expected bids for flatcars, largely the result of devaluation of the Indian Rupee and low-cost local suppliers winning the ICB bids.

**3. Achievement of Relevant Objectives:**

Most objectives were achieved:

- (i) on the institutional side, customs practices and policies restricting the inland movement of containers were substantially liberalized, helping create a fairer intermodal competition between road and rail for container exports and imports
- (ii) CONCOR's commercial and operational performance was strengthened through intensive training, implementation of a management information system (MIS), divesting of GOI shares in CONCOR to the public, and incorporation of private sector representatives into CONCOR's Board of Directors
- (iii) The two largest physical components under this objectives were essentially achieved : 1,357 BFKI cars, or 13 percent more than the SAR estimate of 1,200 cars were procured; 1,905 flatcars, or 85 percent of the SAR target (2,250) were procured. The other physical components were also implemented as expected, with two exceptions : the five tri-axle flatcars for testing higher speeds and the transponder system intended to track container trains, flatcars and containers on a pilot basis were not procured due to technical problems .

**4. Significant Outcomes/Impacts:**

Operational, traffic and financial performance results, and economic return, were impressive :

- (i) as a consequence mainly of lower than expected turn -around time of containers at the ICD (3.5 days instead of 5), the 1,905 flatcars moved 600,000 containers per year (compared to the SAR target of 2,250 flatcars moving 241,300 containers).
  - (ii) CONCOR's container movements exceeded forecasts in every year, by between 46 and 79 percent during project implementation. In 2001, CONCOR moved 1.04 million containers, compared with 0.63 million estimated at appraisal.
  - (iii) financial indicators also consistently exceeded expectations . In 2000/2001, CONCOR's profit reached Rs2,200 million, twice as large as the SAR projection; the return on average invested capital ratio, which was targeted to be above 17 percent, has remained over 40 percent; the debt to equity ratio, targeted to be below 3 to 1, has been as low as 0.14 to 1 over the past 5 years
  - (iv) as a result of better than expected traffic and operational performance, and lower than expected investment costs, the economic rate of return (ERR) for the project is estimated to be 96 percent, compared with 37 percent at appraisal.
- It is also noteworthy that GOI divested 37 percent of its shares in CONCOR, while the project required GOI only to divest a minimum of 5 percent of its shares .

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

- Equipment designed to test introduction of new technologies aimed to increase operating speeds and to track movements of containers and rolling stock was not procured . This should be attributed to poor preparation . This is important because slowness to modernize has been a well known problem of Indian Railways, the parent corporation of CONCOR (a manual, less effective system for tracking was actually set up);
- Procurement problems with flatcars happened because low cost local suppliers did not meet technical and production capacity requirements

<b>6. Ratings :</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

- Pilots to test new technologies are important, are key to modernizing operations, and must be carefully designed. Their preparation should not be overlooked because they are just 'pilots'
- Bidder qualification criteria need to be strict and specific to the conditions of the bid, especially when bid conditions are similar but not identical to previous bids . For example, IR/CONCOR used to provide bidders with engineering designs for the equipment, and therefore suppliers needed not have engineering capability . In bids under the project, suppliers were required to provide their own engineering designs, for which local suppliers were not prepared and yet were considered to be qualified .

**8. Assessment Recommended?** ● Yes ○ No

**Why?** Because the cost table is not included in the ICR, and because the project was original and should significantly help India reduce the logistics costs of its foreign trade .

**9. Comments on Quality of ICR:**

The ICR is barely satisfactory. While in most areas it provides good and frank analysis, and it presents excellent data on performance indicators, financial performance and traffic, the ICR does not include the standard table on project cost.