

India-Nepal rail services pact

July 12, 2021

In news

Rail Cargo movement between India and Nepal gets a big boost with the formal exchange of Note Verbales and signed copies of Letter of Exchange between officials of India & Nepal.

More information

- Rail Transportation between India & Nepal got a major boost today with the coming into force of authorization to all cargo train operators to utilize the Indian railway network to carry all containers bound for Nepal whether bilateral freight between Indian and Nepal or third country freight from Indian ports to Nepal.
- These cargo train Operators include public and private container trains Operators, automobile freight train operators, special freight train operators or any other operator authorized by Indian Railways .
- It comes into effect from 9th July 2021.
- With this LoE, all kinds of cargoes in all categories of wagons that can carry freight on Indian Railways network within India can also carry freight to and from Nepal.
- Move will reduce transportation costs for automobiles and certain other products whose carriage takes place in special wagons.
- Wagons owned by Nepal Railway Company will also be authorized to carry Nepal-bound freight (inbound and outbound on Kolkata/Haldia to Biratnagar/Birganj routes) over the Indian Railways network as per IR standards and procedures.

Rail Services Agreement (RSA) and LoE

- The Rail Services Agreement **was executed in 2004** between the Ministry of Railways, Government of India and the Ministry of Industry, Commerce & Supplies Government of Nepal.
- It was signed for introduction of freight train services between these two countries to and from Birgunj (Nepal) via Raxaul (India).
- This is an agreement which guides movement between India and Nepal by rail.
- The rationale for this Agreement is that there was no rail movement prior to this between the two countries and hence a framework was required for operational and commercial aspects and procedure for customs clearances for rail bound cargo.
- Since then large developments have taken place which require changes to the Rail Services Agreement.
- As per the agreement, RSA will be reviewed every five years.
- For effecting amendments in the relevant Articles to RSA, Letters of Exchange (LoE) are signed from both sides.
- In the past, there have been amendments to RSA through LoE on three occasions.
 - First such amendment to RSA-2004 was effected through Letter of Exchange (LoE) signed on 21st May, 2004.
 - Second LoE was signed on 17th December, 2008 at the time of introduction of bilateral cargo between the two countries which required introduction of new customs procedure and
 - Third LoE was signed in .2016 enabling rail transit traffic to/from Vishakhapatnam Port in addition to existing provision of rail transportation through Kolkata/Haldia Port.

Significance

- This liberalization will allow market forces to come up in the rail freight segment in Nepal, and is likely to increase efficiency and cost-competitiveness, eventually benefiting the Nepalese consumer.
- The signing of this LoE marks another milestone in India's efforts to enhance regional connectivity under the "Neighbourhood First" policy.