

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
REPUBLIC OF CHINA**

Loan Agreement—*Fourth Railway Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Project Agreement between the Bank, the Province of Taiwan and the Taiwan Railway Administration). Signed at Washington on 11 June 1971

Authentic text: English.

Filed and recorded at the request of the International Bank for Reconstruction and Development on 16 December 1971.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
RÉPUBLIQUE DE CHINE**

Contrat d'emprunt — *Quatrième projet relatif aux chemins de fer* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat relatif au Projet entre la Banque, la Province de Taiwan et la Taiwan Railway Administration). Signé à Washington le 11 juin 1971

Texte authentique : anglais.

Classé et inscrit au répertoire à la demande de la Banque internationale pour la reconstruction et le développement le 16 décembre 1971.

LOAN AGREEMENT¹

AGREEMENT, dated June 11, 1971, between REPUBLIC OF CHINA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower and the Taiwan Railway Administration (hereinafter called TRA), an agency of the Province of Taiwan (hereinafter called the Province) entrusted with the administration and operation of the Borrower's railway facilities in the Province have requested the Bank to assist in the financing of part of TRA's Investment Plan 1971-1974;

WHEREAS TRA will, with the Borrower's assistance, carry out such Plan, and, as part of such assistance, the Borrower will make available to TRA part of the proceeds of the loan provided for herein;

WHEREAS the Borrower has also requested the Bank to assist in financing the foreign exchange cost of technical assistance to the Transport Planning Board of the Borrower; and

WHEREAS the Bank is willing to make a loan available on the terms and conditions provided herein and in a Project Agreement of even date² herewith between the Bank, the Province and TRA;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions) :

(a) Section 5.01 is deleted;

(b) Section 6.02 (b) is amended to read as follows :

“(b) The Borrower or the Guarantor shall have failed to perform any other obligation under the Loan Agreement, the Guarantee Agreement, the

¹ Came into force on 8 September 1971, upon notification by the Bank to the Government of the Republic of China.

² See p. 262 of this volume.

³ *Ibid.*

Bonds or any other loan agreements with the Bank for railway projects.”;

(c) Section 6.02 (i) is amended to read as follows :

“ (i) Any event specified in paragraph (e) or (f) of Section 7.01 shall have occurred.”;

(d) Section 7.01 (d) is amended to read as follows :

“ (d) A default shall occur in the performance of any other obligation on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement, the Bonds or any other loan agreements with the Bank for railway projects and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.”;

(e) the words “ the Project Agreement ” are added after the words “ these General Conditions ” in Section 6.06; and

(f) the words “ or the Project Agreement ” are added after the words “ the Loan Agreement ” in Section 9.03.

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings :

(a) “ Project Agreement ” means the agreement of even date herewith between the Bank, the Province and TRA, as the same may be amended from time to time.

(b) “ Subsidiary Loan Agreement ” means the agreement to be entered into between the Borrower and TRA, pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time.

(c) “ 1965 Loan Agreement ” means the loan agreement dated April 28, 1965¹ (*First Railway Project*) between the Borrower and the Bank, as the same may be amended from time to time.

(d) “ 1965 Project Agreement ” means the project agreement dated April 28, 1965¹ (*First Railway Project*) between the Bank, the Province and TRA, as the same may be amended from time to time.

(e) “ 1968 Loan Agreement ” means the loan agreement dated January 18, 1968² (*Second Railway Project*) between the Borrower and the Bank, as the same may be amended from time to time.

(f) “ 1968 Project Agreement ” means the project agreement dated January 18, 1968² (*Second Railway Project*) between the Bank, the Province and TRA, as the same may be amended from time to time.

¹ United Nations, *Treaty Series*, vol. 549, p. 145.

² *Ibid.*, vol. 646, p. 193.

(g) “1969 Loan Agreement” means the loan agreement dated May 29, 1969¹ (*Third Railway Project*) between the Borrower and the Bank, as the same may be amended from time to time.

(h) “1969 Project Agreement” means the project agreement dated May 29, 1969¹ (*Third Railway Project*) between the Bank, the Province and TRA, as the same may be amended from time to time.

(i) “Investment Plan 1971–1974” means the investment plan set forth in Schedule 2 to the Project Agreement, as the same may be amended from time to time.

(j) “TPB” means the Transportation Planning Board of the Borrower established under Executive Order No. TAI 59 YUAN JEN CHENG II 04311, dated April 24, 1970.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Loan Agreement; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Bank shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be procured pursuant to the provisions set forth or referred to in Section 2.02 of the Project Agreement.

Section 2.04. The Closing Date shall be October 31, 1974 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven and one-

¹ United Nations, *Treaty Series*, vol. 691, p. 271.

quarter per cent ($7\frac{1}{4}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 2.10. The Minister of Finance of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall carry out Part B of the Project and shall cause the Province and TRA to carry out Part A of the Project with due diligence and efficiency and in the case of said Part A, in conformity with sound administrative, railway, engineering and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the part of the proceeds of the Loan, which shall be required to carry out Part A of the Project, to TRA under a subsidiary loan agreement to be entered into between the Borrower and TRA, under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable the Province and TRA to perform all of their respective obligations under the Project Agreement and TRA's obligations under the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

Section 3.02. (a) It is the mutual understanding of the Borrower and the

Bank that TRA and the Province are primarily responsible for the provision of funds required for Part A of the Project.

(b) Without limitation or restriction upon any of the other covenants on its part in this Loan Agreement contained, the Borrower shall, whenever there is reasonable cause to believe that the funds available to TRA will be inadequate to meet the estimated expenditures required for carrying out Part A of the Project, make arrangements, satisfactory to the Bank, promptly to provide TRA or cause TRA to be provided with such funds as are necessary to meet such expenditures.

Section 3.03. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain TPB with such functions, powers, responsibilities, work program and resources as shall be agreed between the Borrower and the Bank.

(b) In order to assist the Borrower in carrying out Part B of the Project, the Borrower shall employ consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.04. Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.05. (a) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications, reports, contracts documents and work and procurement schedules, for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower shall or shall cause TRA to: (i) maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Article IV

OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt, and (ii) undertakes that if any such lien shall be created, it will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and in the creation of any such lien express provision will be made to that effect. The Borrower shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(d) As used in this Section, the term “ governmental assets ” means assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Central Bank of China or any institution performing the functions of a central bank for the Borrower.

Section 4.02. Unless otherwise agreed between the Borrower and the Bank, if TRA shall repay in advance of maturity any part or all of its indebtedness under the Subsidiary Loan Agreement, the Borrower shall repay, in advance of maturity, an equivalent amount of the Loan. All the provisions of the General Conditions relating to repayment in advance of maturity shall apply to any repayment by the Borrower in accordance with this Section; provided, however, that any amount of the Loan to be repaid pursuant to the foregoing provisions of this Section which cannot be applied to the payment of an entire maturity may, notwithstanding the provisions of Section 3.05 (b) of the General Conditions, be applied to the payment of a part of a maturity only.

Section 4.03. (a) The Borrower shall take, or cause TRA to take, such appropriate measures, including but not limited to adjustments of tariffs, as are necessary to enable TRA to generate revenues sufficient to cover all of its operating expenses, including adequate depreciation, and to earn an annual rate of return of not less than seven per cent on its net fixed assets in operation.

(b) The annual rate of return specified in paragraph (a) above shall be subject to review from time to time by the Borrower, TRA and the Bank taking into account *inter alia* the following factors : the need for TRA to (i) service its debt and to maintain adequate working capital and reserves for contingencies; (ii) contribute from internally generated funds towards capital requirements for renewal of assets and expansion, with due regard to the availability of funds on suitable terms from other sources; and (iii) make the most efficient use of its resources.

(c) For the purposes of this Section :

- (i) The annual rate of return shall be calculated by relating the operating income for the year in question to the average of the value of the net fixed assets of TRA in operation at the beginning and at the end of each year.
- (ii) The term “ value of net fixed assets in operation ” shall mean the gross book value of such assets, less the amount of accumulated depreciation, both as valued from time to time in accordance with sound and consistently maintained methods of valuation acceptable to the Bank.
- (iii) The term “ operating income ” shall mean the difference between :
 - (A) gross operating revenue accruing from TRA’s services; and
 - (B) the operating and administration expenses, taxes (if any) and adequate maintenance and depreciation but excluding interest and other charges on debt and contributions to the Province.
- (iv) The assets administered by TRA shall be deemed to be assets of TRA.

Section 4.04. Except as the Bank shall otherwise agree, the Borrower shall cause TRA not to incur any debt unless the amount of TRA’s net cash revenue for TRA’s fiscal year next preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever amount is the greater, shall be not less than 1.5 times the maximum debt service requirements for any succeeding fiscal year on all the debt of TRA including the debt to be incurred. For the purposes of this Section :

- (a) “ debt ” means all debt, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after the date on which it is originally incurred;
- (b) debt shall be deemed to be incurred (i) under a loan contract or agreement, on the date and to the extent it is drawn down and outstanding pursuant to such loan contract or agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but shall be counted only to the extent that the underlying debt is outstanding ;
- (c) the term “ net cash revenue ” means gross operating revenue from all sources, adjusted to take account of TRA’s tariffs in effect at the time of the incurrence of debt even though they were not in effect during the entire fiscal year or twelve-month period to which such revenues relate, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation and debt service requirements;
- (d) the term “ debt service requirements ” means the aggregate amount of amortization (including sinking fund payments, if any) interest and other

charges on debt, excluding any return on the Province's investment in TRA; and

- (e) whenever in connection with this Section it shall be necessary to value in the currency of the Borrower debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by TRA, at the time such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

Section 4.05. (a) The Borrower shall cause to be completed, with the assistance of consultants, a study of the economic feasibility of a proposed northern transportation link between the eastern and western regions of the Province, under terms of reference satisfactory to the Bank.

(b) Except as the Bank shall otherwise agree, the Borrower shall permit any major extension of the railway to be constructed to implement the proposed northern transportation link only (i) after the study referred to in sub-Section (a) hereof shall have been completed, and its recommendations shall have been discussed with the Bank; and (ii) if arrangements have been made, satisfactory to the Bank, for financing the construction of said extension and its operation, without imposing any additional financial burden on TRA.

Section 4.06. (a) Unless the Bank shall otherwise agree, the Borrower shall cause a study to be completed by June 30, 1972 under terms of reference satisfactory to the Bank, covering an analysis and evaluation of TRA's tariff setting procedures and salary structure.

(b) The Borrower shall exchange views with the Bank from time to time on the process of the study referred to in sub-Section (a) hereof and the recommendations contained therein.

Section 4.07. No material change in the Investment Plan 1971-1974 of TRA shall be made without the agreement of the Borrower, TRA and the Bank.

Section 4.08. Except as the Bank shall otherwise agree, the Borrower shall, within twenty-four months after the date of this Agreement, cause TRA :

- (a) to establish a cost accounting system to determine the relevant costs of the services provided by TRA; and
- (b) to take all necessary steps to revise its tariff structure in accordance with sound economic and commercial principles for railway operations. To that end, all tariffs for TRA's services shall be set and maintained at such a level, as shall be required to produce revenues sufficient to (i) cover at least their relevant marginal costs, and (ii) make a reasonable contribution toward covering the full costs of such services, taking into account the elasticity of

demand for such services, the level of competitive tariffs, and the financial targets set forth in Section 4.03 of this Agreement; provided, however, that tariffs lower than required above may be applied to particular services, if the Borrower shall (A) decide for sound economic reasons to subsidize such services through the railway tariff system, and (B) in accordance with a time schedule acceptable to the Bank, provided TRA with sufficient funds to offset the difference between the tariffs collected for such particular services and their relevant marginal costs.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the performance by the Province and TRA of their respective obligations under the Project Agreement, the administration, operations and financial condition of TRA and, in respect of the Project, of the departments or agencies of the Borrower and the Province responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the operations and financial condition of TRA and, in respect of the Project, of the departments or agencies of the Borrower and the Province responsible for carrying out the Project or any part thereof.

(b) The Borrower and the Bank shall promptly inform each other of any condition which interferes with, or threatens to interfere with the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by either of them of its obligations under the Loan Agreement or the performance by the Province and TRA of their respective obligations under the Project Agreement and by TRA of its obligations under the Subsidiary Loan Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to inspect all plants, installations, sites, works, buildings, property and equipment of TRA and any relevant records and documents and to visit any part of the territories of the Borrower for purposes related to the Loan.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident to the Borrower.

Section 6.02. The Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any, imposed under the laws of any other country or countries.

Section 6.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified :

- (a) A default shall have occurred in the performance of any covenant or agreement on the part of the Province or TRA under the Project Agreement; and
- (b) A default shall have occurred in the performance of any covenant or agreement by the parties to the Subsidiary Loan Agreement.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified : the event specified in Section 7.02 (a) or (b) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, the Province and TRA.

Article VIII

MODIFICATION OF 1965 LOAN AGREEMENT, 1968 LOAN AGREEMENT AND 1969 LOAN AGREEMENT

Section 8.01. For the purposes of the 1965 Loan Agreement :

(a) Section 5.02 (c) of the Loan Regulations (as so defined in the 1965 Loan Agreement) is amended to read as follows :

“(c) a default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Loan Agreement, the Bonds, any other loan agreements entered into between the Borrower and the Bank for railway projects or any bonds issued pursuant to such loan agreements.”

(b) Section 5.10 of said agreement is amended by the deletion of the provisions thereof and the substitution therefore of the provisions of Section 4.03 of this Agreement.

Section 8.02. For the purposes of the 1968 Loan Agreement :

(a) Section 5.02 (c) of the Loan Regulations (as so defined in the 1968 Loan Agreement) is amended to read as follows :

“(c) a default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Loan Agreement, the Bonds, any other loan agreements entered into between the Borrower and the Bank for railway projects or any bonds issued pursuant to such loan agreements.”

(b) Section 5.09 of said agreement is amended by the deletion of the provisions thereof and the substitution therefor of the provisions of Section 4.03 of this Agreement.

Section 8.03. For the purposes of the 1969 Loan Agreement :

(a) Section 7.01 (d) of the General Conditions (as so defined in the 1969 Loan Agreement) is amended to read as follows :

“(d) A default shall occur in the performance of any other obligation on the part of the Borrower or the Guarantor under the Loan Agreement,

the Guarantee Agreement, the Bonds, any other loan agreements with the Bank for railway projects or the bonds issued pursuant to such loan agreements, and such default shall continue for a period of sixty days after notice thereof shall have been given by the bank to the Borrower and the Guarantor.”

(b) Section 5.09 of said agreement is amended by the deletion of the provisions thereof and substitution therefor of the provisions of Section 4.03 of this Agreement.

Article IX

EFFECTIVE DATE; TERMINATION

Section 9.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

(a) The execution and delivery of the Project Agreement on behalf of the Province and TRA have been duly authorized or ratified by all necessary corporate and governmental action.

(b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and TRA, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.

Section 9.02. The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank :

(a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Province and TRA and constitutes a valid and binding obligation of the Province and TRA in accordance with its terms.

(b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and TRA, respectively, and constitutes a valid and binding obligation of the Borrower and TRA in accordance with its terms.

Section 9.03. The date September 10, 1971, is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article X

REPRESENTATIVE OF THE BORROWER, ADDRESSES

Section 10.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 10.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :
 Ministry of Finance
 Taipei
 Taiwan, China
 Cable address :
 Chifinance
 Taipei

For the Bank :
 International Bank for Reconstruction and Development
 1818 H Street, N.W.
 Washington, D.C. 20433
 United States of America
 Cable address :
 Intbafrad
 Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of China :

By MARTIN WONG
 Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
 Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of eligible expenditures so to be financed in each category :

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. 130 freight cars (West Line) and 30 freight cars (East Line)	2,340,000	(1) 100% of foreign expenditures, if goods are procured from outside of the territories of the Borrower; or (2) 90% of total expenditures

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be financed</i>
II. Materials for strengthening 281 km of main line track	8,100,000	100% of foreign expenditures
III. Automatic warning equipment for 80 level crossings and relay interlocking equipment for Tainan station	750,000	100% of foreign expenditures
IV. Equipment for Taipei and Kaohsiung workshops	730,000	100% of foreign expenditures
V. Tractors, trailers, fork lifts, heavy duty trucks and a 40-ton crane for freight handling	800,000	100% of foreign expenditures
VI. Technical services for TPB and training of TRA staff	900,000	100% of foreign expenditures
VII. Unallocated	1,380,000	
TOTAL	<u>15,000,000</u>	

2. For the purposes of this Schedule :

- (a) the term " foreign expenditures " means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any country other than the Borrower;
- (b) the term " local expenditures " means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and
- (c) the term " total expenditures " means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures prior to the date of this Agreement; and
- (b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefore will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the following two parts :

A. The implementation of the 1972 and 1973 part of TRA's Investment Plan 1971-1974 for the modernization, expansion and increase in capacity of, and more effective utilization of the railway facilities administered by TRA, and includes :

1. the acquisition and placing in service of diesel locomotives, specialized freight cars and cabooses, passenger car bogies, automatic level crossing warning equipment, signalling equipment, and equipment for workshops and freight handling;
2. track improvement and strengthening over the main trunk line between Keelung and Changhua (about 281 km); and
3. replacement of old mechanical workshops in the Kaohsiung area.

B. The improvement of the services of TPB with the assistance of the consultants (about 140 man-months).

The Project is expected to be completed by June 30, 1974.

SCHEDULE 3

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
November 15, 1974	405,000	May 15, 1979	555,000
May 15, 1975	415,000	November 15, 1979	575,000
November 15, 1975	430,000	May 15, 1980	595,000
May 15, 1976	450,000	November 15, 1980	615,000
November 15, 1976	465,000	May 15, 1981	640,000
May 15, 1977	480,000	November 15, 1981	665,000
November 15, 1977	500,000	May 15, 1982	685,000
May 15, 1978	515,000	November 15, 1982	710,000
November 15, 1978	535,000	May 15, 1983	740,000

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
November 15, 1983	765,000	May 15, 1985	850,000
May 15, 1984	790,000	November 15, 1985	880,000
November 15, 1984	820,000	May 15, 1986	920,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1½%
More than three years but not more than six years before maturity	2½%
More than six years but not more than eleven years before maturity	4%
More than eleven years but not more than thirteen years before maturity	6%
More than thirteen years before maturity	7½%

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]

PROJECT AGREEMENT

AGREEMENT, dated June 11, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank), the PROVINCE OF TAIWAN (hereinafter called the Province) and TAIWAN RAILWAY ADMINISTRATION (hereinafter called TRA).

WHEREAS by a loan agreement of even date¹ herewith between the Republic of China (hereinafter called the Borrower) and the Bank, which agreement is hereinafter referred to as the Loan Agreement, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Province and TRA agree to undertake such obligations toward the Bank as hereinafter set forth;

¹ See p. 232 of this volume.

WHEREAS by a subsidiary loan agreement to be entered into between the Borrower and TRA, part of the proceeds of the Loan provided for under the Loan Agreement will be made available to TRA on the terms and conditions therein set forth; and

WHEREAS the Province and TRA, in consideration of the Bank's entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the General Conditions¹ (as so defined) have the respective meanings therein set forth.

Article II

EXECUTION OF THE PROJECT

Section 2.01. (a) TRA shall carry out Part A of the Project described in Schedule 2 to the Loan Agreement with due diligence and efficiency and in conformity with sound administrative, financial and engineering practices.

(b) The Province and TRA shall provide, promptly as needed, the funds, facilities, services and other resources required for the carrying out of Part A of the Project.

Section 2.02. Except as the Bank shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Loan, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 1 to this Agreement.

Section 2.03. (a) TRA undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan relented to it by the Borrower against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by TRA to replace or repair such goods.

b) Except as the Bank may otherwise agree, TRA shall cause all goods and services financed out of the proceeds of the Loan relented to it by the Borrower to be used exclusively for the Project.

Section 2.04. (a) TRA shall furnish to the Bank, promptly upon their prepara-

¹ See p. 262 of this volume.

tion, the plans, reports, specifications, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) TRA : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan lent to it by the Borrower, and to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan so lent to it and the goods and services financed out of such proceeds.

Section 2.05. TRA shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, TRA shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.06. The Province shall cause TRA punctually to perform all the covenants and agreements on its part to be performed as set forth in this Agreement and the Subsidiary Loan Agreement, shall take all action which shall be necessary to enable TRA to perform such covenants and agreements and shall not take any action that would interfere with such performance.

Article III

MANAGEMENT AND OPERATIONS OF TRA

Section 3.01. TRA shall at all times carry on its operations, manage its affairs, maintain its financial position, and plan the future expansion of the railway services, all in accordance with sound business, financial and engineering and railway principles and practices, under the supervision of experienced and competent management, and with the assistance of adequate, qualified and experienced staff.

Section 3.02. TRA shall at all times operate and maintain its plants, machinery, equipment and other property and make all necessary renewals and repairs thereof, in accordance with sound engineering and railway practices.

Section 3.03. TRA shall at all times maintain its right to carry on its operations, and take all steps necessary to acquire, maintain and renew all rights, powers, privileges, concessions and franchises which are necessary or useful in the conduct of its business.

Section 3.04. TRA shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Bank for, insurance against such risk and in such amounts as shall be consistent with sound practice.

Section 3.05. No material change in the Investment Plan 1971–1974 of TRA shall be made without the agreement of the Borrower, TRA and the Bank.

Section 3.06. Except as the Bank shall otherwise agree, TRA shall construct any major extension of the railway to implement the proposed northern transportation link only (i) after the study referred to in Section 4.05 (a) of the Loan Agreement shall have been completed, and its recommendations shall have been discussed with the Bank; and (ii) if arrangements have been made, satisfactory to the Bank, for financing the construction of said extension and its operation, without imposing any additional financial burden on TRA.

Article IV

FINANCIAL COVENANTS

Section 4.01. TRA shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

Section 4.02. TRA shall : (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than seven months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of TRA and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.03. (a) TRA shall take such appropriate measures, including but not limited to adjustments of tariffs, as are necessary to enable TRA to generate revenues sufficient to cover all of its operating expenses, including adequate depreciation, and to earn an annual rate of return of not less than seven per cent on its net fixed assets in operation.

(b) The annual rate of return specified in paragraph (a) above shall be subject to review from time to time by the Borrower, TRA and the Bank taking into account *inter alia* the following factors : the need for TRA to (i) service its debt and to maintain adequate working capital and reserves for contingencies; (ii) contribute from internally generated funds towards capital requirements for renewal of assets and expansion, with due regard to the availability of funds on suitable terms from other sources; and (iii) make the most efficient use of its resources.

(c) For the purposes of this Section :

- (i) The annual rate of return shall be calculated by relating the operating income for the year in question to the average of the value of the net fixed assets of TRA in operation at the beginning and at the end of each year.

- (ii) The term “ value of net fixed assets in operation ” shall mean the gross book value of such assets, less the amount of accumulated depreciation, both as valued from time to time in accordance with sound and consistently maintained methods of valuation acceptable to the Bank.
- (iii) The term “ operating income ” shall mean the difference between :
 - (A) gross operating revenue accruing from TRA’s services; and
 - (B) the operating and administration expenses, taxes (if any) and adequate maintenance and depreciation but excluding interest and other charges on debt and contributions to the Province.
- (iv) The assets administered by TRA shall be deemed to be assets of TRA.

Section 4.04. Except as the Bank shall otherwise agree, TRA shall not incur any debt unless the amount of its net cash revenue for its fiscal year next preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever amount is the greater, shall be not less than 1.5 times the maximum debt service requirements for any succeeding fiscal year on all its debt including the debt to be incurred. For the purposes of this Section :

- (a) “ debt ” means all debt, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after the date on which it is originally incurred;
- (b) debt shall be deemed to be incurred (i) under a loan contract or agreement, on the date and to the extent it is drawn down and outstanding pursuant to such loan contract or agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but shall be counted only to the extent that the underlying debt is outstanding;
- (c) the term “ net cash revenue ” means gross operating revenue from all sources, adjusted to take account of TRA’s tariffs in effect at the time of the incurrence of debt even though they were not in effect during the entire fiscal year or twelve-month period to which such revenues relate, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation and debt service requirements;
- (d) the term “ debt service requirements ” means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt, excluding any return on the Province’s investment in TRA; and
- (e) whenever in connection with this Section it shall be necessary to value in the currency of the Borrower debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by TRA, at the time such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

Section 4.05. Except as the Bank shall otherwise agree, TRA shall, within twenty-four months after the date of this Agreement :

- (a) establish a cost accounting system to determine the relevant costs of the services provided by TRA; and
- (b) take all necessary steps to revise its tariff structure in accordance with sound economic and commercial principles for railway operations. To that end, all tariffs for TRA's services shall be set and maintained at such a level, as shall be required to produce revenues sufficient to (i) cover at least their relevant marginal costs, and (ii) make a reasonable contribution toward covering the full costs of such services, taking into account the elasticity of demand for such services, the level of competitive tariffs, and the financial targets set forth in Section 4.03 of this Agreement; provided, however, that tariffs lower than required above may be applied to particular services, if the Borrower shall (A) decide for sound economic reasons to subsidize such services through the railway tariff system, and (B) in accordance with a time schedule acceptable to the Bank, provide TRA with sufficient funds to offset the difference between the tariffs collected for such particular services and their relevant marginal costs.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Bank, the Province and TRA shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank, the Province and TRA shall from time to time, at the request of any party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the administration, operations and financial condition of TRA and other matters relating to the purpose of the Loan.

Section 5.02. The Bank, the Province and TRA shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, or the performance by either of them of its obligations under this Agreement or the performance by TRA of its obligations under the Subsidiary Loan Agreement.

Section 5.03. The Province and TRA shall enable the Bank's representatives to inspect all plants, sites, works, properties and equipment of TRA and any relevant records and documents.

Article VI

EFFECTIVE DATE; TERMINATION; CANCELLATION AND SUSPENSION

Section 6.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 6.02. (a) This Agreement and all obligations of the Bank, the Province and of TRA thereunder shall terminate on the earlier of the following two dates :

- (i) the date on which the Loan Agreement shall terminate in accordance with its term; or
- (ii) a date fifteen years after the date of this Agreement.

(b) If the Loan Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Bank shall promptly notify the Province and TRA of this event and, upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

Section 6.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

Article VII

MODIFICATION OF 1965 PROJECT AGREEMENT, 1968 PROJECT AGREEMENT AND 1969 PROJECT AGREEMENT

Section 7.01. Section 2.07 of the 1965 Project Agreement is amended by the deletion of the provisions thereof and the substitution therefor of the provisions of Section 4.03 of this Agreement.

Section 7.02. Section 2.07 of the 1968 Project Agreement is amended by the deletion of the provisions thereof and the substitution therefor of the provisions of Section 4.03 of this Agreement.

Section 7.03. Section 2.07 of the 1969 Project Agreement is amended by the deletion of the provisions thereof and the substitution therefor of the provisions of Section 4.03 of this Agreement.

Article VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address :

Intbafrad

Washington, D.C.

For the Province :

Governor of the Province of Taiwan

Taiwan Provincial Government

Nan-tou

Taiwan, China

Cable address :

TPG
Nan-tou
Taiwan

For TRA :

Taiwan Railway Administration
2 Yen-Ping Road (N)
Taipei
Taiwan, China

Alternative address for cables :

Tairail
Taipei

Section 8.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Province may be taken or executed by The Commissioner, Department of Communications of the Taiwan Provincial Government of such other person or persons as the Province shall designate in writing.

(b) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of TRA may be taken or executed by the Managing Director of TRA or such other person or persons as TRA shall designate in writing.

Section 8.03. The Province and TRA shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of the person or persons who will, on behalf of the Province and TRA, take any action or execute any documents required or permitted to be taken or executed by the Province and TRA respectively pursuant to any of the provisions of this Agreement.

Section 8.04. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

The Province of Taiwan :

By MARTIN WONG
Authorized Representative

The Taiwan Railway Administration :

By T. W. HU
Authorized Representative

SCHEDULE 1

PROCUREMENT

1. With respect to any contract for goods included in Categories I to IV of the table set out in paragraph 1 of Schedule 1 to the Loan Agreement estimated to cost the equivalent of \$100,000 or more :

(a) Before bids are invited, TRA shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, TRA shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants, and the reasons for the intended award. The Bank shall promptly inform TRA whether it has any objection to the intended award on the grounds that it would be inconsistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.02 of this Agreement or with the Loan Agreement, and shall state the reasons for any objections it may have.

(c) If the contract shall be awarded over the Bank's reasonable objection, or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Loan.

(d) Two copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract.

2. With respect to any other contract for goods included in Categories I to IV of the table set out in paragraph 1 of Schedule 1 to the Loan Agreement estimated to cost the equivalent of less than \$100,000, TRA shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract, two conformed copies of such contract. The Bank shall promptly inform TRA if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.02 of this Agreement or with the Loan Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Loan.

3. For the purpose of evaluating bids for goods and associated services included in Categories I to IV of the table set out in paragraph 1 of Schedule 1 to the Loan Agreement, bid prices shall be determined and compared in accordance with the following rules :

(a) the term " Local Bid " means a bid submitted by a manufacturer established

in the territories of the Borrower for goods manufactured or processed to a substantial extent (as reasonably determined by the Bank) in such territories; any other bid shall be deemed to be a "Foreign Bid";

(b) the bid price under a Local Bid shall be the sum of the following amounts :

- (i) the ex-factory price of such goods; and
- (ii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

(c) for the purpose of comparing any Foreign Bid with any Local Bid, the bid price under a Foreign Bid shall be the sum of the following amounts :

- (i) the c.i.f. Keelung price of such goods;
- (ii) the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to non-exempt importers, or 15% of the amount specified in (1) above, whichever shall be the lower; and
- (iii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

4. TRA may negotiate with, and award the contracts to, the original suppliers of the freight handling equipment under the 1969 Loan Agreement, for the purchase of the equipment included in Category V of the table set out in paragraph 1 of Schedule 1 to the Loan Agreement provided the terms and conditions of such contracts are satisfactory to the Bank.

SCHEDULE 2

INVESTMENT PLAN 1971-1974 OF TRA

	NT\$ (million)			US\$ Equivalent (million)			% of Total Expenditure
	Local	Foreign	Total	Local	Foreign	Total	
Motive power and rolling stock	268	663	931	6.7	16.6	23.3	27.2
Track strengthening and doubling; maintenance equipment	425	486	911	10.6	12.1	22.7	26.5
Signalling and telecommunications	68	129	197	1.7	3.2	4.9	5.7
Workshops, depots, warehouses, freight handling equipment	322	177	499	8.1	4.4	12.5	14.6
Marshalling yards and improvements to station yards	232	60	292	5.8	1.5	7.3	8.5
Technical services and training	7	70	77	0.2	1.8	2.0	2.4
Miscellaneous	517	—	517	12.9	—	12.9	15.1
Total cost of the Investment Plan	1,839	1,585	3,424	46.0	39.6	85.6	100.0