



Indian Railways opening doors for Private Players

Context:

- Indian Railways has launched the process of opening up train operations to private entities on 109 origin destination(OD) pairs of routes using 151 modern trains.



Background to the decision:

- In 2015, Bibek Debroy Committee recommended that the way forward for the railways was “liberalisation and not privatisation” in order to allow entry of new operators “to encourage growth and improve services.”
- From a passenger perspective, there is a need for more train services, particularly between big cities. The Railway Board says five crore intending passengers could not be accommodated during 2019-20 for want of capacity.
- Without an expansion, and with growth of road travel, the share of the Railways would steadily decline in coming years.

Why is the move significant for Indian Railways?

- The overall objective is to introduce a new train travel experience for passengers who are used to travelling by aircraft and air-conditioned buses.
- Every kilometre of track in India covers geographical area much less than Germany, Russia, China or Canada, indicating scope for expansion, which can be accelerated by private participation.
- The move is estimated to attract investments of nearly ₹30,000 crore
- It is estimated that a one-rupee push in the railway sector would have a forward linkage effect of increasing output in other sectors by ₹2.50.



- An analysis of passenger and freight operations in the Railways, showed that a steady shift to other modes of travel for both categories was affecting economic growth: by as much as 4.5% of GDP-equivalent.
- Bibek Debroy panel had noted that passengers were willing to pay more, if they had guaranteed and better quality of travel and ease of access.
- **Monetization of expensive fixed assets** such as track, signalling and stations.

What are the challenges ahead?

- The present invitation for private operators to participate in train operation constitute only 5% of the 2,800 Mail and Express services operated by Indian Railways.
- **Private Player should meet expectations with better services**
- The first IRCTC-run trains have a higher cost of travel between Lucknow and Delhi than a Shatabdi train on the same route that almost matches it for speed.
- Therefore, Private operators would have to raise the level of their offering even higher, to justify higher fares, and attract a segment of the population that is ready to pay premium prices.
- **Need for level playing field.**
- As the experience of private operators in running container trains suggests, setting up an independent regulator will be critical for creating a level playing field for private players.

Conclusion:

- Private rail operations can thus be seen as a government-led pilot plan, not a full programme for unbundling of the monolithic Indian Railways, although the more attractive parts are being opened for private exploitation.