Big reform on the wrong track

Context:

- Indian Railways has launched the process of opening up train operations to **private entities on select routes**, with private train operations expected to begin in 2023 in 12 clusters.
- Indian Railways has invited Request for Qualifications proposals, for scrutiny of vendor capabilities.

What is the proposed model?

- The selection of private parties using the tendering process proposes two-stage competitive bidding. The shortlisting will be based on financial capacity (with sharing of gross revenue), the **selected parties can fix fares by themselves**.
- According to the project information memorandum issued by the Railway Board, railway crew will work the trains (151 trains in 109 routes) which will be maintained by the private investor. All the other **infrastructure (track and associated structures, stations, signalling, security and their daily maintenance) owned by the Railways will be fully utilised in running trains.**
- The concessionaire will have to procure coaches and form them into rakes of 16 coaches each, with maintenance at 10 major stations from where the trains will operate to their destinations. For maintenance, existing depots and yard facilities at different stations will be made use of.
- The concessionaire will have to **pay fixed haulage charges, energy charges based on actual consumption, and a share in gross revenue** as per the bid.

What are the arguments in favour of privatization?

- As per the Railway Board, the objective of the initiative is to introduce modern technology rolling stock with reduced maintenance, reduced transit time, boost job creation, provide enhanced safety, provide world-class travel experience to passengers, and also reduce demand supply deficit in the passenger transportation sector.

What are the arguments against the envisaged model?

- The planned privatisation of some services of the Indian Railways and the proposed model could **impact maintenance, operations and welfare**.

Conflict situation:

- The **sharing of existing depots and yard facilities** between the Indian railways and the concessionaire might result in conflict and have repercussions in terms of maintenance and operation. This could also have a detrimental impact on the safety of operations.
- Provision of an independent regulator to resolve disagreement, discords and disputes will not solve day-to-day problems of dichotomy unless the basic issues are resolved.

Split responsibility:

- In the envisaged structure, the responsibility of the private investor ends with investment in the procurement and maintenance of coaches. Train operation, safety and dealing with everyday problems rest with the Railways.
- In such a scenario when the coaches are owned by the investor but operated by the Railways and its staff, it would be difficult to fix responsibility. The envisaged structure as per the current provisions will lead to dual control and split responsibility.

Social welfare:

- In the current proposal, the **Railways or government have no role in fixing passenger fares**. Full liberty is being given to the concessionaire to unilaterally fix fares for these proposed trains that are on a par with air and air-conditioned bus fares.

- **This might result in higher fares**, depriving the common man of travel by these trains. Fare concessions extended to several categories of people will not be made available by the private investor.
- The article argues that the Indian Railways is not just a mere transporter of passengers and goods but also a **social welfare organisation**. Higher prices might defeat the very objective of commissioning the Railways as a public welfare transport organisation.
- Railways should not be judged solely on its profit-generating capability or market-based return on investment.

Financial viability:

- In cases where adequate yard facilities are not available, the concessionaire has to invest in creating the required facilities. The project entails a total investment of Rs. 30,000 crore by private enterprises.
- The lack of profit would affect the financial viability of the project leading to loss of confidence for private investors and would also have an impact on the financial system of the economy.

Other issues:

- In the private sector, operations are run with an eye on staff costs which can endanger safety.
- Also, the private investor is **not bound to follow reservation regulations in employment**, in turn depriving employment opportunities for those who are on the margins of society.

Way forward:

- **PPP model of metro railway services:** The article argues that the government need not take a dual role of a facilitator as well as a participant and instead follow the PPP model employed in metro railway services.
- Under this model, the **concessionaire is solely responsible for daily maintenance, operation, passenger amenities and staff issues**. The State government steps in when it comes to land, power, permissions, law and order, etc.
- **Fare determination is in consultation with the government.**

- **Involving IRCTC:** Instead of a private entrepreneur, the existing **Indian Railway Catering and Tourism Corporation (IRCTC)** can be utilized to realize the objectives sought under the current proposals. This would entail several advantages.
- As per the Eligibility Conditions specified in "Request for Qualification (RFQ)", Public Undertakings such as the IRCTC are eligible to participate in tendering for this project. A government investment in the IRCTC, a government undertaking, will help the **government retain control of the Indian Railways as a strategic resource for the nation and provide a vital public good**.
- The eligibility condition also stipulates operation & maintenance experience in maintaining rolling stock. **IRCTC has gained experience in running the Tejas Express trains.** The IRCTC is well-suited for this role.
- There will be **'unity of command' in maintenance, operation and passenger services** under the single administration of the Railways and its undertaking.
- **Technology upgradation:** Coaches in India are not of international standard (ICF Design – 1955 Swiss design or LHB Design (German 2000 design)). There have been sea changes in coach designs and the Indian Railways should go in for state-of-the-art coach designs using 'transfer of technology' (ToT) with world leaders. **Domestic coach building units should be enabled with requisite resources and technology through ToT.**
- This would enable the realization of the goal of raising the maximum running speed to 160 kmph.