ROLE OF INDIAN RAILWAYS: PRIVATE PUBLIC PARTNERSHIP AN OVERVIEW

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ABSTRACT

Indian Railways (IR) is one of the largest railways networks in the world with 64600 route kilometers and 1.4 millions employees under a single government. IR is the largets rail passanger carrier and fourth largest rail freight carrier in the world. More than 35 per cent of the freight traffic in the country moves by rail.IR is the backbone of the country's transport infrastructure integrating market and conneting communities across the lenth and breadth of the India. 4th largest rail freight carrier in the world. USD 1,000 Billion worth of projects to be awarded through Public Private Partnership. 1.3 Million-Strong workforce. World's largest passenger carrier.

The Indian Railways is considered the lifeblood of the nation and, hence, the onus of carrying the economy on its shoulder lies with the railways. The boom in the economy has resulted in a dire need of improvement and enhancement of rail infrastructure in the country. As part of the overall strategy of restructuring the railway infrastructure, a major thrust has been given to PPP. The Indian Railways are prima facie encouraging Public-Private Partnership in the capacity enhancing and modernizing exercise. Projects through the PPP model have been started in a few sectors and envisaged in few other areas. This paper is an attempt to assess the degree to which PPP has penetrated the Indian Railways. Has the IR encouraged PPP as it should have been? Which key areas have been encouraged? Is there any friction in bringing in private sector participation in the IR? If yes, where is the friction? Does the government also have some genuine concerns? This paper tries to answer these questions in addition to suggesting criteria to evaluate projects to be implemented through PPP.

PUBLIC PRIVATE PARTNERSHIP IN INDIAN RAILWAYS

The major part of Private sector participation in IR is going to be through Public Private Partnership (PPP) Model. As per the Expert Group on Indian Railways 2001: If IR is to survive as an ongoing transportation organisation it has to modernize and expand its capacity to serve the emerging needs of a growing economy.

Need for PPP

With the economy growing at a robust rate of growth in the last few years the current abysmal level of infrastructure has been under tremendous strain. The Prime Minister's Committee on Infrastructure has been specially formulated to give infrastructure- road, railways, port, air, electricity, irrigation etc a major boost.

The railways require substantial investments in order to keep pace with the 8% growth rate of the economy. Recognizing the need for substantial financial capital and technomanagerial expertise in infrastructure building and freeing up its precious resources, the Railways have started seeking and encouraging increased private sector participation in this massive exercise. Also, competition with the Road and Aviation is driving the railways to improve their infrastructure.

Types of PPP: PPP Model can be adopted through various ways. Maintenance Management Contract, Turnkey, Operate and management, ROT and BOT are few ways in which PPP can be adopted. BOT is the most preferred model for PPP in IR.

Projects through the PPP Model: In the past Indian Railways had made several attempts to rope in private participation in areas such as catering, wagon ownership and leasing and joint ventures for rail infrastructure projects. These efforts were, however, limited in scale and scope. The current strategy is to leverage private capital through PPPs to the maximum extent in areas which are amenable to PPPs to improve efficiencies and control costs.

GOVERNMENT POLICY ON PPP IN INDIAN RAILWAYS

> *"Indian Railways is one of the most studied institutions on the planet. For almost every conceivable question that can be asked, there already exists a comprehensive and rigorous report that lays out the facts and indicates the answers. What is striking, however, is that there has been little action on the many reports IR has commissioned, both internal and external. The overwhelming sentiment of the Expert Group is that time has run out. Action is overdue. The imperative is to get started fast on a programme of restructuring and reform."*
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> -Expert Group on Indian Railways-2001

A comparison of the projects which are in the process of being implemented through PPP and the size of IR yields the conclusion that the PPP does not even form a drop in the ocean of its operations. On an optimistic note, it also shows that the scope of PPP in IR is immense. India needs investment in infrastructure to the tune of $456 billion at current prices (more than $80 billion in Railways) during the Eleventh five year plan (2007-2012) to keep pace with the economic growth its experiencing. It must be noted that in spite of such dire need of funds in IR and the limited nature of its surplus, the IR has followed an over-cautious approach in inviting private sector participation in Indian Railways. The reasons for the same have been identified as follows:

There exists no clear roadmap for implementation of PPP in IR On interaction with the senior railway officials it can be easily drawn that the IR are being forced to look outwards for finance and techno-managerial skills. What we have is a list of projects that have been selected on urgency basis but without any sound official articulation or planning.

ROLE OF MINISTRY OF INDINA RAILWAYS

Indina Railways (IR) is World's third largest rail network, under a single management, operating over a route length of 65,436 km. IR runs 12,617 trains to carry over 23 million passengers per day connecting more than 7,172 stations. IR carries more than one billion tonnes of freight a year, connecting ports and mines to industrial clusters. It runs more than 7,421 freight trains carrying about 3 million tonnes of freight every day. IR is the world's seventh largest employer, by number of employees, with over 1.3 million employees (as at the end of year 2013). In 2014- 2015, IR had revenues of USD17 billion from freight and USD6.4 billion from passenger tickets, implying a CAGR of 7.1 per cent for the period FY07-14. It is expected that Indian Railway will touch the revenue of USD44.5 billion by 2020. Freight business for IRs is supported by nine commodities and it remains the major revenue earning segment for the railways, accounting for 67 per cent of total revenues in FY14, followed by the passenger segment, which accounts for 27 per cent.

The total number of passengers during FY14 reached 8535 million compared with 8602 million during 2012-13. Passenger volumes would expand at a CAGR of 6.6 per cent to 11.7 million by FY17 from 6.2 million in FY07; and reach 15.2 billion by FY20. The annual passenger volumes increased at a CAGR of 4.6 per cent during FY07-14. According to the 12th Five Year Plan (FYP), passenger volumes would expand at a CAGR of 8.3 per cent during FY13-17. Indian Railways carried 1,050 million tonnes of revenue earning freight traffic in FY14, a 4 per cent increase from 1,010 million tonnes in FY13. Freight traffic is expected to expand at a CAGR of 6.5 per cent by FY17 from FY07. The Indian Railway estimates originating loading for freight business segment would increase to 2,165 MT by FY20. *(Source: IBEF)* Ministry of Railways (MoR) is the nodal authority for development and maintenance of rail transport. It is involved in formulation of various policies and looks after the overall functioning of the railway system. Indian Railways (IR), overseen by MoR, is a departmental undertaking of the Government of India (GoI), which owns and operates India's rail transport.

INITIATIVES OF INDINA RAILWAYS

MoR has been investing heavily to ensure growth and development for Indian Railways. Some of the key initiatives include:

Dedicated Freight Corridors	Dedicated Freight Corridor Corporation of India Limited (DFCCIL) has been set up as a SPV to undertake planning & development, construction, maintenance and operation of Dedicated Freight lines, along the Eastern and Western parts of India. In the 12th FYP, the GoI allocated USD5 million for a 2,700 km of dedicated rail freght corridor project. The total estimated cost of the project is USD16.7 billion.

High-Speed Bullet Trains	High Speed Bullet Train on the Mumbai-Ahmedabad corridor is being developed, as part of the Diamond Quadrilateral network of high speed rail, connecting major metros and growth centres of the country.
Next Generation E-ticketing (NgeT) Application	The newly launched NgeT, developed by the Central Railway Information Centre (CRIS) has enabled substantial increase in online ticket booking capacity, number of enquiries per minute, as well as the capacity to handle concurrent sessions.
Coal Transportation Projects	Three rail connectivity projects for coal movement in Jharkhand, Odisha, and Chhattisgarh have been put on fast track.
Launch of Schemes and Policies	MoR has come out with several policies and schemes, such as, R3i policy, R2CI policy, and Automobile Freight Train Operator Scheme, to attract private sector participation, improve rail connectivity and increase its share in automobile transportation

- The long-term strategic plan of the Ministry of Railways is to construct six high-capacity, high-speed dedicated freight corridors along the Golden Quadrilateral and its diagonals.
- The sector has taken up port connectivity on priority, through the PPP mode of funding in tandem with the Sagar Mala Project of Port Development. Railways will facilitate connectivity to new and upcoming ports through private participation. So far, in principle, approval has been granted for building rail connectivity to the Ports of Jaigarh, Dighi, Rewas, Hazira, Tuna, Dholera and Astranga under the Participative Model Policy of the Indian Railways, amounting to INR 40 Billion.
- The 2014–15 Union Budget envisages a diamond quadrilateral network of high speed rail, connecting major metros and growth centres of the country.
- The development of identified stations to international standards with modern facilities and passenger amenities on the lines of newly developed airports, through PPP mode.
- Private investment in railway logistics is to be encouraged — the IR proposes to modernize its logistics operations by setting up logistic parks that provide for warehousing, packaging, labelling, distribution, door-to-door delivery and consignment tracking in order to achieve better efficiency, mechanisation of loading and unloading will be given top priority.
- A scheme for private participation in parcel movement will be launched shortly whereby procurement of parcel vans or parcel rakes by private parties will be facilitated.
- To develop a network of freight terminals, the Policy of Private Freight Terminals on the PPP model is being further refined.

- A proposal is in place to harness solar energy by utilizing rooftop spaces of railway stations, other railway buildings and land, through the PPP mode.
- During the period of 2012-17, Mass Rapid Transit Systems (MRTS) projects are being planned in Ahmedabad, Bengaluru, Hyderabad, Chandigarh, Chennai, Delhi, Jaipur, Kochi, Kolkata, Mumbai, Patna, Pune, Lucknow and Surat through the PPP model.
- The share of private investment in MRTS projects is expected to increase from 13% during 2007-12 to 42% during 2012-17.
- Rail tourism is on the anvil, with emphasis on the introduction of eco-tourism and education tourism in the North-eastern states, the identification of special pilgrim circuits such as the Devi Circuit, the Jyotirling Circuit, the Jain Circuit, the Christian Circuit, the Sufi Circuit, the Sikh Circuit, the Buddhist Circuit, and the Temple Circuit. Specially packaged trains for these circuits have been proposed and private participation will be encouraged.

Railways To Expand Foreign Direct Investment (FDI) Participation List, Identify 50 Projects On Ppp Model

Indian Railways (IR) is gearing up for another phase of reforms through a slew of measures. These include expanding the list of areas where foreign direct investment (FDI) will be invited, identifying at least 50 projects to be commissioned on a public-private partnership (PPP) and finalising a fiscal road map that will shape its budget formulations over the next five years. The Union Cabinet had in August relaxed the FDI norms to allow 100 per cent investment in projects such as HST, suburban services, dedicated freight corridors, freight and passenger terminals. The ministry has notified a list of 17 such areas, including rail route electrification, signalling systems and logistics parks. Other areas freed for FDI include cleaning operations and mechanised laundries, construction, maintenance and operation facilities to supply non-conventional sources of energy to IR, installation and maintenance of bio-toilets in passenger trains, setting up of technical training institutes, testing facilities and laboratories and providing technological solutions to improve safety.

100% FDI under automatic route is permitted for the following:

- Construction, operation and maintianence of sub-urban corridor projects through PPP.
- High speed train projects.
- Dedicated freight lines.
- Rolling stock including train sets and locomotive/coaches manufacturing and maintenance facilities.
- Railway electrification.
- Signaling systems.
- Freight terminals.
- Passenger terminals.
- Infrastructure in industrial parks pertaining to railway line/siding including elctrified railway lines and connictivities to main railway line.
- Mass Rapid Transport Systems.

INDINA RAILWAYS : PUBLIC PRIVATE PARTNERSHIP(PPP)

In December 2012, the Cabinet approved the new policy of Participative models for rail-connectivity and capacity augmented projects. The policy addressed private investors concerns, which included ownership of the railway line and repayment of investment. The policy led to renewed investor interest in the rail sector. This is also in line with Governments 12th FYP, wherein, it intends to raise investments worth USD14.8 billion through PPP route. Areas proposed for private investment during this period would include elevated rail corridor in Mumbai, some parts of dedicated freight corridor, freight terminals, redevelopment of stations and power generation/energy saving projects.

Under the PPP route, approval has been granted for seven ports amounting to USD0.7 billion. Development of the major stations to equip them with international level of amenities and services is also being implemented through PPP. In addition, the MoR proposed to set up five wagon factories under the JV/PPP model. For FY14, the Rail budget proposes to mobilize USD1.1 billion through the PPP route. The High Level Committee on Infrastructure Financing projects an investment of Rs. 3.4 lakhs crores, of which, private sectors share is expected to be 13 per cent. MoR has also proposed development of 50 world-class stations in PPP mode to improve and enhance rail infrastructure in the country. The Indian Railways has attracted increasing foreign investments through strategic alliances with various countries over the last few years. Subsidiaries of foreign companies are being set up to cater to the huge demand offered by IR. Since FY08, the cumulative

FDI inflows into the sector has increased five-fold. From April 2000 to November 2014, FDI in Railways related components stood at USD634.1 million.

Conclusion

However, the Indian Railways should be identified and private sector participation should be allowed in the same. The Indian Railways should focus on the core activities of running and operating the trains. The prospects remain bleak for any major policy change due to an extremely weak record of enforcement of contracts in the long run. The Corporatization of Indian Railways is the best way to take the restructuring of the Indian Railways forward. The IR should also adopt General Accepted Accounting Principles (GAAP), the role of the Indian Railways Regulatory Authority should be strengthened and it should be allowed to decide the fares to be charged from the passengers with a provision for adequate compensation from the Union Budget for keeping fares cheaper to fulfil its objective of social welfare.

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