Indian Railways' Corporate Train Model

Why in News?

The Kashi Mahakal Express is the country's third 'corporate' train after the two Tejas Express trains started over the past few months.

What is this corporate model?

- This is a new model being actively pushed by Indian Railways.
- In this model, the running of regular passenger trains will be outsourced to the Indian Railway Catering and Tourism Corporation (IRCTC).
- Around 100 routes will be leased out to private players to run 150 trains, something that is in the works.
- This is the same model that was used in the two Tejas Express trains running between Delhi-Lucknow and Mumbai-Ahmedabad.

How does the model work?

- In this model, the **corporation takes all the decisions** of running the service - fare, food, onboard facilities, complaints etc.
- Indian Railways is free from these encumbrances and gets to earn from IRCTC a pre-decided amount, being the owner of the network.
- This amount has three components- **haulage, lease and custody**.

How these components are worked out?

- **Haulage** - The haulage charge is to be paid by IRCTC.
- This includes use of the fixed infrastructure like tracks, signalling, driver, traction and pretty much everything needed to physically move the rake.
- **Lease** - IRCTC has to pay the lease charges on the rake as Indian Railways coaches.
- This is so as the coaches are leased to its financing arm, the Indian Railway Finance Corporation (IRFC).
- **Custody** - There is a per-day custody charge, of keeping the rake safe and sound while it is in the custody of the PSU.
- IRCTC has to pay Indian Railways a sum total of these three charges for the trains' runs in a day and then factor in a profit over and above this.
- This money is payable even if the occupancy is below expectation and the train is not doing good business.

What powers does IRCTC have?

- Being a corporate entity, IRCTC insists that the coaches it gets from Railways are new and not in a run-down condition.
- The quality of the coaches has a direct bearing on its business.
- In this model, IRCTC has full flexibility to decide the service parameters and even alter them without having to go to Railway ministry.
- To that end, the business of running trains can be run with the independence needed to run a business with profit motive.
- This, policymakers believe creates the environment for enhanced service quality and user experience for the passengers.
- IRCTC gets the freedom to decide even the number of stoppages it wants to afford on a route, depending on the needs of its business model.

What is Indian Railways' benefit from this model?

- Indian Railways doesn't have to suffer the losses associated with running these trains thanks to under-recovery of cost.
- This under-recovery is due to low fares and its own hefty overheads.
- The lease on its coaches is also taken care of.

Is this the same model for private train operators?

- The model in which private train operators are sought to be engaged is different wherein along with haulage; the operator needs to agree to revenue sharing with Railways.
- The company willing to share the highest percentage of revenue will win the contract.
- Private players may not need to pay lease and custody charges.
- All this is because over the next 5 years, a lot of capacity will free up in the conventional railway lines for more passenger trains to run to cater to the demand.
- The government wants private players, its own PSU, along with Indian Railways, to share the load of pumping in more trains into the system.

Source: The Indian Express

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