Railway Privatisation

Why in news?

The mega plan for privatisation of passenger trains was unveiled by the Railway Board a couple of months ago.

What is the plan?

- It involves privatisation of a total of 151 trains in 12 clusters, with a minimum of 16 coaches in each train running at 160 kmph.
- Eventually it will cover 109 routes, compared to the 9,000-plus passenger trains that had been time-tabled to run every day prior to the Covid-19 lock down.
- This may not be much, but it is a good beginning.

How will the bidding take place?

- Over 120 RFQ from 15 parties is an indicator of the project's popularity. The bidders are to be short-listed by November 2020 for the final round.
- The contracts are to be placed by April 2021, and the first lot of private train sets to arrive by April 2023.
- The operator may be allowed to import three trains in each of the 12 clusters while the rest are to be manufactured in India.
- The bidding is to be on a revenue-sharing basis; the one that pays the Railways the most, wins.
- However, a short history lesson, from British Rail, would be in order.

What is the history?

- During the Margaret-Thatcher era, the British Rail went for massive privatisation that proved an unmitigated disaster.
- Treating maintenance of infrastructure, rolling stock maintenance, and passenger and freight train operations, etc, as **separate activities** were all privatised as distinct business units.
- The scores of private entities were created for every possible activity of the British Rail.
- However, a few years after, all hell broke loose when a serious mishap took place at the Potter's Bar station involving human casualties.

What did the enquiry reveal?

- A statutory enquiry revealed that that the new company, called 'Network Rail', that now owned rail infrastructure had been cutting corners.
- This resulted in the mishap.
- There were stringent conditions for liability and compensation in case things went wrong.
- So, the first people to reach an accident site were lawyers who had to find what went wrong to establish the liability, and due compensation.

What did the report reveal?

- A public-interest report was released by the Centre for Research in Socio Cultural Change (CRESC), a think tank based in Manchester, the UK.
- The report pointed out that the actions like the public subsidies paid out to shareholders as dividends and Network Rail's unsustainable debt had negative consequences for physical infrastructure.
- The report pointed out that due to negative consequences, the railways will have to be bailed out by the public.
- At last, it had to be 'bailed out', and then taken over by the government.
- This will not be the case with the Indian Railways, as only a few private train operators (PTOs) are to be inducted, and rest of the system is not being privatised.

What needs to be done?

- The PTO is to introduce coaches or trains with technology superior to that of Indian Railways.
- So, upgrading the track to support running of trains at 160 kpmh from existing 120 kpmh will need to be carried out by IR on top priority.

What would be the role of the proposed regulator?

- The proposed private trains will be sharing track space with other passenger and freight trains, which could lead to disputes.
- For the private train to be **punctual**, it may have to be accorded priority at the cost of other trains, to avoid any penalty for being late.
- Anticipating a plethora of such problems that may arise in the PPP initiative, a 'regulator' is proposed to be created.
- With commissioning of the West and East Dedicated Freight Corridors, the private sector may invest in **freight wagons** as well and run them.
- This will be keeping the proposed regulator quite busy.

What could be learnt?

- The private investment should not end up with many rolling stock being purchased, and with no matching maintenance facility being created.
- The operator may simply walk away while banks or investors who would have financed the whole project left holding the baby!
- This was the case with the British Rail privatisation.
- Hopefully, the Indian Railways will learn from the pitfalls of the British Rail privatisation, and be able to carefully avoid them.

Source: Financial Express

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