

## 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 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**

