Railways:Privatisation to the fore

The Vivek Debroy committee recommended that the way forward for the railways was "liberalization not privatisation", in order to allow entry of new operators to "encourage growth and improve services". As the passenger trains is a politically sensitive issue, the government chose roundabout way to bring in recommended by the Debroy committee. As a first step, the Indian Railway Catering and Tourism Corporation (IRCTC), in which the government has majority shareholding, was allowed as the first "non-railway" operator to run the Tejas trains between New Delhi and Lucknow and Mumbai and Ahmedabad. As a next step, the government launched a process of opening up train operations to private operators and invited Request for Qualifications with proposals to run 154 trains on 109 origin-destination routes in 12 clusters. They are expected to begin in 2023.

The government argues that passengers are ready to pay more if they were provided better quality travel. It also argued that there is acute need for more trains as demand outstripped supply by 13.3% and private operators will bridge the gap. It claimed the overall objective is to introduce "new train travel experience for passengers" who used to travelling by aircraft and AC buses.

The liberalization is meant to serve those passengers who can afford to pay high prices on par with airlines, who constitutes around 5% of the railway passengers. Private operators are not expected to run trains without profits. The IRCTC-run Tejas trains have a higher cost of travel than railway-run Satabdi train on the same route with almost same speed. So the private operator has to raise the cost even higher and consequently has to aim to attract a section of the population that is willing to pay, the richer classes.

The government has not divulged the financial aspects involved in this exercise. It is a well known fact the operating ratio of any railway is very low anywhere in the world meaning that profit margins are slender in railway. For the Indian Railways, the operating ratio was used to stay above 90%. It is so because the Indian Railway has huge fixed assets - track, signaling, stations etc and their regular maintenance - and manpower.

When a private operator is allowed to use this infrastructure built over a period of a century and half with public money, the government has to explain how this was monetized to be paid for by the private operator. Unless the government provides for concession on this count -overt or covert- there will not be attractive profit margins that can lure the private entities. No explanation is coming forth from the government except saying to set up Rail development Authority to advice the government on promoting competition.

This privatisation of passenger trains is only a prelude to wider plan to handover the more segments of railways for private players to exploit the infrastructural facility that is fourth largest one in the world.

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