

Privatisation of Railway

After experimenting Tejas express, the government decided to privatise 150 trains in 109 routes. This decision can become a turning point of Indian railway.

Indian railway is 2nd largest railway by length across the world, but it is also most biggest social service, employing around 1.2 mn people directly.

However, it is also accused of being most inefficient sector having operating ration greater than 96%.

Privatisation thus help to achieve following objectives -

(i) Investment - even after 100% FDI allowance, investment is very less, privatisation give a nudge to investors since railway is a lucrative sector.
[20,000 cr is estimated]

(ii) Infrastructure - amenities, cheap AC services, world class service in low cost cant be provided through government route. competition is the key.

(iii) Accident Reduction - efficiency, maintenance and market threat will minimise accident.

- (iv) world practice - US, EU, China etc have top level railway service ~~is~~ challenging Air route. Thus India can also adopt the same.
- (v) low fare - competition and multiple option to consumer will automatically reduce cost.
- (vi) environment - fuel efficiency, better resource utilisation will help to achieve environmental goals.

However, privatisation is not easy.

Some challenges associated with it are

- (i) vertical linking - railway is highly vertically linked, and prone to politicisation. Any fare hike can hurt poor people.
- (ii) conflict of interest - Government itself is policy maker and regulator, which resulted inefficient monitoring.
- (iii) Tariff issue - under Railway Act 1989, government and not private entity (IRCTC) decide fare. Thus pseudo privatisation will not attract investors.
- (iv) high regulation, policy uncertainty, lack of regulator for level playing field etc discourage investors.

- (v) earlier policies like contained policy liberalisation scheme failed, same can happen this time also.
- (vi) Against socialist principle - since private players are profit motive, they will operate only on profitable route and affect inclusivity. They will also create unemployment.

way forward

- (i) Implementing Bibek Debroy recommendation like
- Transition to commercial accounting
 - independent regulator appointment.
 - privatising non core sectors of railway
- (ii) corporatization instead of privatisation is better option.
- (iii) providing dispute redressal mechanism.
- (iv) incentives in less profitable and unconnected areas.