



## Privatisation of Railways

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### Why in News

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Recently, the Ministry of Railways has taken the **first step towards privatisation of railways** by inviting **Request for Qualifications (RFQ)** to private players for operation of passenger train services.

### Key Points

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- **Privatisation Project:**

- Under this at least 151 modern trains will be introduced and 109 pairs of routes will be planned out for private train operations.
- **Train sets have to be brought by private operators and maintained by them.**
- Fares in private trains will be competitive and prices on other modes of transport like airlines, buses have to be kept in mind while fixing the fares
- Private participation in passenger train operations will only be **5% of the total operations of Railways. 95% of trains** will still be run by Indian Railways.
- The project will bring private sector investment of about Rs. 30,000 crore.

- **Reason Behind Privatisation:**

- To develop India's railway infrastructure to provide travel services to all its passengers.
  - According to the 2019-20 data, the Railways ferried 8.4 billion (840 crore) passengers in 2019-20, about five crore passengers could not be accommodated, meaning their wait-listed tickets were dropped.
  - During the busy seasons/summer season nearly 13.3% passengers were not able to get confirmed reservations.
- Induction of **modern technology and reduction in transit time** and the demand-supply deficit in train tickets.

- **Benefits:**

- Confirmed tickets and faster trains for passengers.
- Trains would run faster and would be safer and provide more facilities.
- Reduction in maintenance cost of train coaches.

The train coaches now required maintenance after they ran 4,000 km, but modern coaches would need maintenance after every 40,000 km or once or twice in 30 days.

- Reduction in railways loss. Currently, the railways makes losses in passenger services.
- Provide revenue to railways for future operations.

The private entity will pay the Railways fixed haulage charges, energy charges as per actual consumption and a share in gross revenue determined through the bidding process.

- RFQ had been issued under the **Make in India** policy. So the coaches would have to be manufactured in India.

This will create jobs and utilisation of local components in manufacturing.

- **Issues Involved:**

- There is fear that it will lead to increase in fair prices of rail travel and job losses.
- It will harm the interest of marginalised communities (Scheduled Castes, Scheduled Tribes and Other Backward Classes), who get reservation under the government jobs.

Currently there is no reservation in private sector employment.

## **Way Forward**

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- Privatisation of railways operations will require a new institutional framework where infrastructure will remain as a government's monopoly while there would be a market of service providers.
- Core Railways functions can be Corporatized rather than privatized.
  - Corporatization refers to the restructuring or transformation of a state-owned asset or organization into a corporation. These organizations typically have a board of directors, management, and shareholders.
  - However, unlike publicly traded companies, the government is the company's only shareholder, and the shares in the company are not publicly traded.
- It is important to modernize the railways, so measures must be taken to **reimburse the social costs speedily** so that resources of the railways are better allocated and facilities are upgraded from time to time.

**Source: TH**