



Monetising Railway Assets

This editorial is based on [“Monetisation of Railways could be a Game Changer”](#) which was published in Livemint on 02/12/2021. It talks about the financial and related hurdles faced by the Indian railways and how the monetisation of railway assets can help in resolving the funding related problem of railways.

In a country of 1.3 billion, the [Indian Railways](#) plays an integral role running the world's **fourth largest rail network** in the world. However, in recent years, the railways has been **confronted by its dwindling finances** and is mulling ways of generating revenue through different streams.

Considering the increasing focus on augmenting railway infrastructure to facilitate freight and passenger movement, significant investments are needed to address fundings, capacity and redevelopment related constraints.

Monetisation of railway assets, in this context, assumes significance as it will **pave the way for greater influx of funds** by private players.

Railways in India

- **Significance of Indian Railways:** The Indian Railways is the fourth-largest in the world in terms of size with a 1,21,407 km long network and the total track of over 67,368 km.
 - The Indian railways **employ more than 1.3 million people**.
 - The freight trains are **particularly significant from the perspective of commerce**.
 - It **transports more than 90% of the coal** that provides 50% of the country's power requirement.
- **Financial Assistance to Railway Sector:** The year 2014 was a watershed moment for Railways as the government initiated stronger reforms by not only **allowing private investments in railways** but also **permitting 100% [foreign direct investment \(FDI\)](#)** in the railways infrastructure sector.
 - 10 areas/activities listed under the category of construction, operation and maintenance permitted **100% FDI through the automatic route**.
 - As per data released by the [Department for Promotion of Industry and Internal Trade](#), for railways and associated sectors, the FDI inflows stood at \$1.23 billion (April 2000 - March 2021).
 - However, this **constituted only 0.23% of the total FDI inflows** in India.
- **Initiatives for Railways:** The [National Infrastructure Pipeline](#) and the [Draft National Rail Plan \(NRP\) 2020](#) provide a detailed asset-level plan for the development of the railway sector.
 - The NIP envisages a **total capital expenditure of ₹13.7 trillion** by both the Centre and states over 2021-22 to 2024-25, of which ₹1.6 trillion is expected through the [public-private partnership \(PPP\) mode](#).
 - The Draft NRP 2020 laid out a strategic **roadmap for the sector** for the next three decades, which includes an **increase in the modal share (freight) of railways** from 26% to 45%, while continuing to provide best-in-class services for passengers.
- **Railways and Asset Monetisation:** Asset Monetisation is the **creation of new sources of revenue** by unlocking the value of **hitherto unutilized or underutilized public assets**.

- One such initiative is the [National Monetisation Pipeline \(NMP\)](#) that provides a mechanism for enabling private companies to lease and operate infrastructure owned by the government (like highways, gas pipelines and railways).
- The projected revenue from **railways is expected to be ₹1.5 trillion** and will **contribute to 25% of the overall pipeline** of ₹6 trillion.

Challenges Faced by Indian Railways

- **Funding Related Issue:** Since independence, the railways has been primarily dependent on government support thus making it **challenging to generate adequate funds for capital expenditure**.
 - Bulk of the funds are still **subsumed under operating expenses**.
- **Mishappenings due to Poor Infrastructure:** Infrastructure and funding challenges in railways manifested in the form of **collisions, derailments and level crossing accidents**.
- **Revenue Loss:** In the previous fiscal (FY 2020-21), **Covid-induced disruption resulted in a revenue loss of ₹38,017 crore** in the passenger segment.
- **Huge Redevelopment Costs:** As per estimates, the redevelopment of 125 stations along with the development of real estate would **cost approximately ₹50,000 crore**.
- **Under-Capacity of Passenger Trains:** The under-capacity of passenger trains is evidenced by the fact that **15% ticket holders on an average are waitlisted**.
 - **In 2018-19 alone, over 8.84 crore passengers** couldn't travel as they were waitlisted.

Way Forward

- **Monetisation of Railways, a Way Ahead:** Monetisation of railways could be a game changer as it could put underutilized railway assets to better use and **provide the funds needed to fast-track the development** of railway infrastructure in India.
- **Transforming the Railways:** To keep pace with other leading economies of the world, India will have to expand its high-speed railway network.
 - The **Indian Railways Vision 2020** report highlighted that the railways has to **match the speed and efficiency** of trains in countries like the US, France, Japan and Germany in **aspects like speed and route-km per million population served**, which are metrics to gauge the level of rail connectivity in a country.
- **Efficient Implementation of Policy Initiatives:** An efficient **implementation of NMP will ensure a huge influx of funds** that could vastly upgrade the infrastructure and operational logistics for passenger trains, revamp railway stations, freight terminals, railway colonies, and railway tracks.
- **Utilising Railway Assets:** It is important to realize that the bulk of our railway assets have been lying either unutilized or underutilized since independence.
 - The **land along the railway tracks could be leased out to telecom companies** for laying cables.
 - Also it would be prudent to enable the utilization of freight terminals as logistics parks for private companies and generate another revenue stream.
- **Robust Investments Necessary :** Robust **investments by the private sector** will facilitate the achievement of ambitious targets set by the government such as achieving [100% electrification by 2023](#), [Net Zero Carbon Emission Network by 2030](#), ease of ticket booking, online freight services etc.
- **Mitigating Under-Capacity:** To mitigate the problem of under-capacity of passenger trains, **12 clusters have been earmarked** in high-demand routes which is **expected to bring in ₹30,000 crores** worth of private investments, with the **potential of adding 150 modern trains along 109 routes**. Such initiatives need to be encouraged.

Conclusion

- Indian railways is a lifeline for more than 30 million citizens who use it every day. Modernizing the railway facilities and enhancing the speed of trains will go a long way towards making India's workforce more productive.
- The **monetisation of railways supported by a sound economic rationale** will likely serve as

a playbook for other sectors to emulate.

Drishti Mains Question

Discuss how monetisation of railway assets plays a significant role in resolving the financial issues of the Indian railways.

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