

Welcoming private investment is different from privatisation

Coal secretary Anil Swarup also says no de-nationalisation of railways or CIL

GN Bureau

The Indian railways is looking at private investment, not privatisation, said Manoj Sinha, minister of state for railways, while delivering the keynote address at a conference on 'Rail Budget: Reforms & Governance' in Delhi. The meet was part of the REFLECT knowledge exchange series organised by Governance Now in partnership with CNBC Awaaz.

Speaking at the event, coal secretary Anil Swarup said, "We are moving towards cooperative federalism, whereby the central government will ensure delivery of funds." Talking about privatisation in the Indian railways, he said, "Railway performs a specific task in the country, so the talk of de-nationalisation of railways is wrong. The government has been time and again emphasising this point. Yet, the government is trying to encourage private investment. And the difference between private sector investment and privatisation has to be understood very clearly.

We will encourage private sector investment, but there should be no de-nationalisation, either for railways or for Coal India Ltd [CIL]."

In the past six months CIL has reported an increase of 6-7 percent in coal production as compared to 1-2 percent earlier. There were three critical projects, in Chhattisgarh, Jharkhand and Odisha, which had been stalled for last six years. Due to proactiveness of the railways, these projects will be ready by December 2017 and around 300 million tonne of coal will be produced.

Whenever a facility is initiated it



is bound to have certain problems. Efforts should be made towards resolving those problems, said Swarup. "Keeping this in mind, I would say the rail budget is a paradigm shift in the context of how funds should be managed. Fundamentally, there is a departure from raising resources internally to generating resources from outside and getting infrastructure going."

He talked about how CIL was planning to touch the target of 1 billion tonne coal production by 2020. However, he said, "We face a major problem of carrying coal from the mines to the end user. We need to invest in technology to make this process smooth and efficient. The rail ministry is working with us to resolve this issue and, for the first time, we are making an arrangement to facilitate coal mining. We will sign an MoU in the presence of the prime minister on April 1. The MoU will be signed between the Odisha government, the rail ministry and the coal ministry, which will help in setting up a joint venture in the state to establish projects that will help in taking out coal from mines and transport it to the

end user. We are looking at a similar kind of agreement with Jharkhand. The MoU is important as it will help in leveraging funds of ₹50,000 crore with Coal India, technical equipment of rail ministry and clearances from the state governments. For producing 1 billion tonne coal, we have formulated 121 rail projects, and funds for these projects will come from the joint venture. Coal India will invest around 64 percent, IRCON 26 percent and state governments 10 percent."

About the kind of makeover needed for the Indian railways, Shaileendra Chouksey, vice president, Cement Manufacturers' Association, said the cement industry had high hopes from the Indian railways. "The cement industry is disheartened after the budget. At present, we are the third largest consumers of railways, after steel and coal. We move around 1.5 million finished products through rail in a year, out of which we transport around 3 percent raw material. We have only two options: road or rail. In the past four years, rail fare [freight] has increased by around 65 percent. Within this period the road fare has increased only by 15 percent. We understand the railways is under tremendous pressure because of its social responsibility. But I'm glad that the railways is aware about this problem and they know that they have to increase their efficiency. The railways should make their cargo fare attractive. In the last 10 years, around ₹25,000-35,000 crore of cement business was lost [for railways] due to high fare [freight charges]."

Talking about the viability of bringing investments into railways, Benedict LJ Eijbergen, programme leader, infrastructure, World Bank India, said the World Bank was already working



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with the Indian railways, financing the eastern dedicated freight corridor that runs from Ludhiana in the direction of Kolkata. "We are financing 1,200 km of that corridor [out of total 1,839 km]," he said.

He also advised that investments must be targeted towards viable projects to increase operational efficiency. For this, Eijbergen said, "The World Bank can help set up investment funds for railways, with proper assessment of viable projects that need to be undertaken. We need to have a mechanism in place to filter out good projects from bad projects."

Eijbergen expressed concern over a huge lack of capital investment to increase capacity and efficiency in the Indian railways. He said the railways needed investments not only from the government, but also from the private sector. There is a lot of talk about public-private partnership (PPP) in India with a huge track record, but the same



From left: NK Goyal, president, CMAI; Brian Parrott, minister from high commission of Canada; Benedict LJ Eijbergen, programme leader, World Bank India; Anil Swarup, coal secretary; Priyanka Sambhav, editor, consumer affairs, CNBC Awaaz; Manoj Sinha, MoS, railways; Nirmal C Mathur, president, ISSDA; Mrityunjay Kumar from Juniper; and Shaileendra Chouksey, VP, CMAI.

“We will soon set up a rail regulator”

Railway minister Suresh Prabhu has said if Indian economy will grow, the railways will play the role of an engine. This would require a change in the entire ecosystem of railways. How will the government do this? Will it require a better public-private partnership (PPP) model? Will it require more attention on security and safety and cleanliness?

One of the main challenges in the past has been coordination between ministries. This challenge has now been overcome. The railway and coal ministries are working together harmoniously. But that is not the case with other ministries. For example, clearance for three coal linkage projects has been withheld by the ministry of environment. The present government, however, is working like a unit, and we will resolve coordination issues.

Industry is concerned about the increase in freight charges.

We had two options. One is increasing the charges for passengers and the other was to increase freight charges. We chose the latter. The government respects the industry's efforts and will take care of issues concerning it.

(From Brian Parrott, Canadian high commission) In which ways pension funds can be invested in the rail system to get long-term returns?

The government has allowed 100 percent foreign direct investment (FDI). We are seeking investments from other countries as well. We will invest these funds in projects which are financially viable to ensure a fair rate of return. If Canadian technology is suited to Indian conditions then we will certainly collaborate and use it.

What is stopping you from formulating a better PPP policy?

The railway policy has not been consistent. At times changes have been made in retrospect. This has raised doubts in the industry. We have, however, assured the industry on this. We will soon set up a regulator who would protect the interests of investors, railways and citizens. We are

taking a note to the cabinet in this regard.

When will you hold the next investors' meet?

We were able to know investors' concerns (in the previous meet). We developed an environment of trust between the stakeholders. We will have another meet in next two months.

Thrice I have faced harassment in trains. In all cases, the travelling ticket examiner (TTE) didn't intervene and the railway police personnel refused to write down my complaint and asked me to get down at the next station.

We have started a sensitisation programme wherein we are training the railway staff towards women's safety. We

will eliminate 3,400 unmanned crossings. We want to set up an integrated operation system so that we can track trains better and anticipate accidents, etc.

Recently, the Madhya Pradesh finance minister was looted in a train. Your comments?

There's a three-tier system of security: local police, GRP and railway protection force. We have also ensured that 10 percent of the recruits for railway security are women. We have nabbed six people involved in that particular case.

How prepared is railways to execute the Bibek Debroy committee's recommendations on the PPP model for railways?

We are considering the recommendations of the Sreedharan committee report that had suggested performance audit and benchmarking in railways.

What are you doing to de-congest rail traffic for smooth transport of freight?

Besides the dedicated freight corridor (DFC), we are providing double, triple and even four links where there is congestion.

What are you doing to ensure security in terms of repeated accidents and cleanliness in trains?

It is true that old coaches have still not been phased out. The government is looking at ways to replace these coaches. The new coaches are largely fireproof. About 40 percent accidents happen due to unmanned crossings where 60 percent fatalities take place. We are also in the process of completely doing away with them.

As stated in the budget, we have decided to set up 17,000 bio-toilets. We have also decided that all new coaches will have bio-toilets. Water vending machines will be deployed at category A and category B stations. Eventually, we will try to cover all stations.

There is a general impression that railways works in silos. There is no lateral entry in railways. Why is it so?

Officials are quite competent. They just need to be given confidence, I am sure they will be able to perform to their best of abilities.



don't escort all trains. But I would like to tell you that we have launched a toll-free number 182. Many a time the railway protection force (RPF) can't file a case under the Indian penal code (IPC). [To tackle this] there is an RPF Amendment Act under consideration in parliament. The home minister had recently convened a meeting of all director generals of police. The three-tier security system has to be made two-tier.

What are you doing about security, safety and cleanliness in trains and on stations?

The government accords highest priority to security and safety. In the budget, the government has proposed to build 970 rail overbridges and underbridges that

is not there in the Indian railways. "There is a lot of lip service, but I want to see concrete steps," he added.

Mrityunjay Kumar, country director, enterprise and channel business (India and SAARC), Juniper, spoke about the technological aspects of the railways. He said, "We see great hope in the railway budget. According to the data I have received, in 2013, the Indian railways carried eight billion people on a network of 65,000 km. That itself shows the scale of the task before the railways."

He went on to highlight the aspect of mobility. "Railway is the vehicle of economic growth. In any country, you cannot expect growth without connectivity." As a country with the fastest growing numbers of mobile phone and mobile internet users, Kumar said, "On a monthly basis, five million mobile users are being added. We have 200 million users online already. And this will exceed 500 million in the next three or four years." Pitching for full internet connectivity on trains, Kumar said, "Imagine a case where I am travelling, I have work to do, I am online, I am connected to the internet. I am able to do my work as if I am in my office. Imagine the kind of potential it brings to the whole economy. So, I see several opportunities through the railways."

Brian Parrott, minister (commercial), high commission of Canada, said the cost per mile of moving coal was the lowest in Canada. "Canada has two private sector railways. We have about 40,000 route km in Canada. We move almost 80 percent of our freight by rail. Canada has expertise in bulk handling. Bombardier, a Canadian multinational aerospace and transportation company, now has a factory in Gujarat which makes train sets for export. We have state-of-the-art technology in signalling and manufacturing. India can benefit from our knowledge and expertise in the rail sector."

"Right now we are negotiating an MoU with the rail ministry. Canada is keen on sharing technology and is looking for an opportunity to invest in the [Indian] rail sector. We are looking for ways in which Canada pension

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OP Singh, director general,
National Disaster Response Force

fund can invest in railways to get long-term significant returns. Bombardier sees huge opportunity in this sector where they develop train sets looking for higher speed rails. There is opportunity for both suppliers of equipment and technology. Canada is becoming very focused on India," said Parrott.

Nirmal C Mathur, president, Indian Stainless Steel Development Association, said, "We transport raw steel mostly via railways. However, the finished steel products are transported mostly by road." Issuing a caveat, Mathur further added, "Our association is unique because it is a not-for-profit company. This is purely technical and market development arm. We have been associated with the railways for a long time now as partners in service. We believe using stainless steel in train coaches will be beneficial for long-term safety [of passengers]. Even if it catches fire or if it crashes, it will be safe. Keeping in tune with the Swachh Bharat campaign, we have developed bio-toilets. We also look forward to participate in keeping station premises clean and provide hygienic food." He wrapped up his statement by adding, "We are not looking after the interests of any particular industry. However, we are eager to give correct solutions."

NK Goyal, president, CMAI, said, "The new government is moving in the right direction and things are improving. The industry needs to shed its old mindset and explore newer opportunities to work with the government. The government's decision to invest ₹8.5 lakh crore has given a positive signal

to the industry globally. Now investors from Japan and Korea are willing to invest [in the railways]." He suggested the government should appoint a committee, with representatives of industry and government, to improve the procurement process in the railways.

Speaking on the safety aspect, OP Singh, director general, National Disaster Response Force (NDRF), added, "The railways can think of installing CCTV cameras in trains to ensure safety of women passengers. Railways can also moot heli-dropping [helicopter dropping] of NDRF personnel to rescue passengers during train accidents. Overall, the railway budget this year reflects the concerns of safety and security of the passengers. NDRF, the high-tech and multi-skilled disaster response force of the country, has always played an instrumental role in rescuing trapped victims during train accidents. Joint exercises are done with a view to enhance capacity building in the realm of disaster management."

Kumar wanted to know how technology companies could collaborate with the railways and make the execution faster. Sinha replied: "For collaboration, we are regularly in touch with the stakeholders. We can have a regulator who takes care of everybody's interest. In terms of implementation, people do not believe it, but the direction is right. Out of the 13-14 lakh people [railway employees], most really want to work. Things are improving." ■