Vision for the Indian Railways Sector in the 21st Century

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Prologue

At the outset the Author, who is a transportation guru, has professed his love and admiration for the Indian Railways. Here he shares his thoughts on the Indian Railways for the 21st century.

Dr. Athreya reiterates that the national transportation strategy should include all transport sectors like rail, road, air, waterways, coastal, pipelines and it needs to be developed in an integrated manner. A road map articulating his thoughts and strategy for their actualisation has also been indicated.

I am equipped to write this article only from two perspectives – an enthusiastic traveler; admirer; and defender of Indian Railways; and a student of Management. I do not have the strengths of a rail insider. An external perspective is often useful in taking a fresh look and thinking out of the box. This has been my experience in analysing and helping to restructure some other infrastructure sectors, such as Telecom, Electricity, and Civil Aviation. I had the opportunity to be Chairman of the Telecom Restructuring Committee of the Government of India, 1991. Our report laid the foundations for the telecom reforms and growth in the country, including the mobile revolution.

Romance of IR

I have enjoyed many happy moments in various ways, in the Indian Railways.

RITES Journal 11.1 July 2010
Historic

India has been a passion and source of immense pride for me from childhood. The Railways have been a part of it. An important milestone was April 14, 1853, when the first Indian train was flagged off.

From that small start, the railways grew to cover most parts of the country. Initially, it served more of the British colonial interest, through providing profit-making opportunities to British companies in Railways; movement of raw materials; imports and exports for their companies etc. It also served the imperial purpose in the two wars, and in imposing law and order on the subject population. However, inevitably benefits flowed to the domestic economy and the subaltern, nascent, Indian business.

Post-Independence, the new government of a free India saw the railways as a major instrument of planned development. It nationalized the erstwhile private railways and created a national, public monopoly. Railways have played a historic role in the nation’s growth, defence, law and order, and tourism.

Reminiscences

I have several pleasant memories of my personal experiences with Railways.

I was a student in class 10 at The Ramaseshier High School in a village called Pattamadai in Tirunelveli District, Tamil Nadu, in 1953. We were fortunate to have dedicated and enthusiastic teachers. They took us by train to Tirunelveli Junction, on April 13, 1953 to see the travelling Railways Centenary Exhibition. It made a deep impact on me. My heart swelled with pride. The visit was well worth the effort. We had to walk, through rice fields, 3 Kilometers to Cheranmahadevi, the nearest railway station, for a 45 minute journey, through 4 stations by a steam train.

During 1956-57, I was a daily commuter on the same train. I was in the first batch of the Pre-University course in the Hindu College, in Tirunelveli. There was great excitement amongst all, including us students, on the introduction of new engines, both bigger steam engines, and the diesel engine. During that year, also, sadly, the Ariyalur accident happened. Those were days of high values and probity in public life. Lal Bahadur Shastri, the then Railway Minister, resigned, taking responsibility for the mishap. The PM, Nehru accepted his resignation, without trying to “persuade” him to stay. This enhanced the stature of both, and the party. Shastri-ji came back as PM in 1964, and gave the nation the rousing slogan “Jai Jawan. Jai Kisan”. We should add to this, “Jai Karmachari”, especially the Railway Karmachari, Railways being the largest employer.

Between, 1960 and 1964, I was working in Kolkata, and studying to be a Cost and Management Accountant, I remember several journeys in the Howrah Mail,
between Madras Central and Howrah. When I returned from the Harvard Business School, in 1967, and joined the IIM Kolkata faculty, this pattern of travel continued. The introduction of the fast Coramandal Express, with only three stops en route, namely Vijayawada, Vijayanagaram and Bhubaneshwar was an exciting and most convenient development.

I went to the London Business School, on sabbatical leave, in 1973. I returned to India in 1978. We reached Hyderabad on 8th October 1978. As early as the 13th October, I was on the night train to Pune for my first consultancy assignment, on return, at the Tata Management Training Centre.

Since settling down in Delhi in 1980, I have done several train journeys, especially in overnight sleepers, to several locations around the country. With the increasing air connectivity, alas, my interface with the railways has come down. I have enjoyed every trip.

**Growth**

Indian Railways have naturally grown. There are many positives in the growth. There are also shortfalls. On the positive side are the following:

i. Extensions of many existing lines.

ii. Laying of new lines.

iii. Longer and longer rakes for freight transport.

iv. Longer and longer passenger trains.

Among the shortfalls have been the following:

a. Not expanding freight transport capacity fast enough to cope with the movement of rising agricultural and industrial output. Consequently, the share of freight traffic by road has been going up. This has had two disadvantages — the rising oil import cost; and adding to environmental pollution.

b. Delays in the movement of in-bound raw materials to factories; and outbound movement of finished products, adding to the overall costs to the economy.

c. The higher cost structure has had two negative impacts — adding to the cost-push factor in inflation in the domestic economy; and reducing the competitiveness of Indian exports in the world market.
Modernization

The Railways have gone through various phases of modernization. These have brought some relief and excitement to the travelling public and industry, from time to time. The following are some examples.

i. The introduction of diesel engines, with higher power, speed and carriages and wagons.

ii. The further introduction of electric traction, with even more power, speed and volumes.

iii. Conversion of metre gauge into broad gauge.

iv. Laying of double lines in busy corridors, like those connecting the Metros.

v. Automatic signaling.

vi. Airconditioning, in stages, in first class; second class 2-tier; and finally in 3-tier.

vii. Faster trains, with fewer stops like Rajdhani, Shatabdi, Duronto, etc.

National Transportation Strategy

The Vision for the Indian railways sector has to be formulated in the context of a broader national transportation strategy. It cannot be done, independently, on a standalone basis. Some of our national strategic errors and dysfunctionalities have been because of standalone strategies for each of the modes of transportation, namely, Rail; Road; Air; Water; Coastal; and Pipelines. The strategy has to be a national-level optimum; and not a modal-level unsatisfactory sub-optimisation.

Rail

As mentioned earlier, the growth of Indian Railways till 1947 was primarily to serve the interests, economic and military, of the colonial regime and its businesses. However, as an incidental benefit, railways inherited an organisation structure; a network, albeit grossly inadequate; technical competence; systems and processes. To their great credit, India’s rail engineers, workers, suppliers, contactors and other partners have done a good job, whenever supported by funds from internal generation and government plan and budgetary allocations. They have done splendidly during patches of support from committed and honest ministers and competent civil servants.
There has, of course, been growth of railways in “absolute” terms. In India, we tend to take comfort and credit from such progress. But we need to recognise and confront the fact that we are not even “optimising” let alone “maximising”, not only in railways, but in all sectors of the economy and society. Such optimisation, with respect to railways, will raise the following three questions.

i. Are our railways expansion, mix, speed, cost, quality, safety etc., at their respective optimas, given the resource allocation?

ii. Is the growth of our railways, on all the above and other relevant parameters in line with the real “needs” of India, considering her potential, destiny, aspirations of her billion plus people, etc?

iii. Does the growth match that of China, the most relevant, global, comparative benchmark, as a neighbour, with a long border, and a rising Asian and global super-power, part of G2 and G8?

From the searching standpoint of the above three questions, our railways, as, indeed, almost all sectors, fall short of optimisation.

Road

Our road transport, as all other modes, has suffered from policy biases; gaps; infirmities; errors; and resistance to feedback, learning and timely correction. The gaps in road transport have been –

a. The licence-permit raj, for long time, severely constrained the growth of two wheelers, cars and trucks.

b. There has been a huge backlog of roads of all kinds — village to market town; state level connections; regional roadways; let alone national highways.

c. The poor condition of urban and rural roads has added to the economy’s capital and energy costs.

d. Public transportation should have been given much greater policy and resource support. “Public” need not mean only “state” transportation.

e. Given her geography and climate, India should have been a natural world leader in Renewable Energy. In particular, there could have been
development of widely dispersed solar energy; and filling stations for electric and hybrid vehicles.

Of course, this is not to deny the progress in the last few years. The metro rail; CNG driven buses; taxis and autos in Delhi first, and in some other cities, later have been a step forward. On the other hand, the Mumbai commuter electric trains are bursting at the seams. If there were to be an urban, Maoist, Guerilla movement, commuter transportation gaps could be one of the grievances. Even the new, energetic Highways minister is finding it difficult to accelerate the pace, at least not to let the backlog, and our gap with China increase; let alone to catch up for past delays.

Air

For a long time, domestic air travel was a hostage to the monopoly of Indian Airlines. This is not entirely a criticism of its managements, pilots, engineers, cabin crew, and workmen. Any monopoly will have a tendency to be less than optimally efficient, and pass on poor service and high costs to customers. A government monopoly may have an even stronger hazard.

The idea of a “national carrier” in the form of Air India has imposed additional costs and opportunity losses on the country. Its inability to generate funds, leverage, mobilize and expand its fleet has prevented it from taking up more landing rights abroad. Consequently, the government has restricted landing rights of foreign airlines in India. This has affected in-bound tourism.

Fortunately, there has been a significant change in policy with many benefits.

i. Several good private airlines have come up. Of these, Jet Airways emerged as the initial leader. It has been appreciated by domestic and international passengers as world class.

ii. The Mallya Group has diversified into airlines as well. Its Kingfisher is another superior, full service airline.

iii. Starting from Deccan Air of Captain Gopinath, several low cost airlines have come up. Some of these have established a good reputation for punctuality; safety; cleanliness; service; etc. These include Spice Jet, IndiGo, Go Air, etc.

iv. The low cost competition has forced Jet to introduce the Jet Lite and Jet Konnect services.

v. The highly competitive industry has seen some shakeouts and exits, such as Modi Luft and East West. These are some costs of competition with correspondingly higher benefits to passengers and the economy.
vi. There have also been mergers and consolidation, such as the take over of Sahara by Jet, and Deccan Air by Kingfisher.

vii. Jet and Kingfisher now also fly international routes. It is a matter of pride to see their planes land and take off in London, New York, Toronto and other places.

viii. As a result of the huge increase in traffic, several airports are being expanded, as in Delhi and Mumbai. Some new globally contemporary airports have come up, such as Bangalore and Hyderabad.

ix. While foreign airlines have dominated the import and export cargo trade, Indian carriers will look for part of the action. Capt. Gopinath has started a dedicated Cargo airline.

No sector will ever be “perfect”, without any problems. But, since the opening up of the Civil Aviation sector, Indian entrepreneurs, managers and flight professionals have exceeded public expectations.

**Waterways**

These carry a fair amount of freight and some passenger traffic in many countries and continents. Examples include the Mississippi and Missouri rivers in the US, and the Danube in Europe. Indian waterways have been grossly underutilised. We have had a PSU with this mission, in the form of the Inland Water Transport Corporation. But, one such enterprise is not enough. Consequently, a lot of uneconomic load continues to strain the railways.

**Coastal**

With a long coastline, on the Indian Ocean, Arabian Sea and Bay of Bengal, there are significant coastal transportation possibilities. In the absence of the enabling policies, infrastructure and regulation, these possibilities have not been tapped. This has increased the burden on rail and road.

**Pipelines**

In principle, significant amounts of huge volume, specialised cargo, like crude oil, petroleum products, gas etc. could be moved through pipelines. Such pipelines could be underground; under water; and partly overground. There have been many innovations in the design; installation; coating; speed; inspection; and repair of such pipelines. With a rational policy, India should have had a substantial grid of pipelines. There has been a perception among the PSU oil and gas companies that their proposals
for such pipelines were generally opposed by the railways, with the claim that they have, and will create, ample capacity to carry such cargo. This is not to blame any organisation or set of individuals in office, at any given time. This is normal inter-organisational rivalry and turf battle. It is instructive that even two public sector entities have had difficulty in putting national interest above one's own organisational; managerial; and even personal interest. Therefore, there is need for a firm and fair national, apex level optimization, strategic intent and direction.

**Optimization**

The ideal macro-management approach, therefore, is to have a National Transportation Strategy, which will do the following.

a. Assign to each of the above six modes of transportation its appropriate role, with the national economic, social and environmental benefit-cost optimum in mind.

b. Create some or more plurality of operations in each mode, to ensure adequate competition and outward, customer orientation, instead of inward looking lethargy.

c. Set up a regulator for each mode for harmonising the interests of all the stakeholders.

d. Set up a Super Regulator to harmonise the interfaces between all the modes, in the interests of a national optimum.

The Indian Railways will find its significant and right role in such a National Transportation Model. It will play the part for which it has the core competence. It will provide those services for which it is best fitted. It will carry those freights and passengers that are most efficiently carried by rail, as opposed to other modes.

**Macro-Economic Context**

The Vision for Indian rail, as indeed, for any other mode, should be articulated in the broader macro-economic context. Economic theories and policy perspectives have been changing in the current global economic crisis. A new Economic Policy Model (Section 3.5) and Governance Paradigm (Section 3.6) are emerging.

**Role of the Market**

The great global crisis is primarily more due to Regulatory and Policy errors and gaps, and less of a market failure. It is, certainly, not the end of the Market.
a. Great Recession of the US is attributed more to the following kinds of factors –

- Government-backed Housing Finance agencies, encouraging home lending for larger and second homes so freely, that many borrowers did not even expect to have to pay back.

- The Federal Reserve keeping interest rates too low for too long and a very easy money policy.

- The SEC, FIDC and other regulators adopting too much of a hands-off approach.

b. The Sovereign Debt crisis of the EU is due to the high fiscal deficits; long period of rising public spending; ageing of the population etc.

c. Japan has been suffering from Deflation for quite some time due to past, huge malinvestment; bureaucratic dominance; institutional rigidities; ageing; depopulation etc.

Of course, there have been industry crises, as in Banking in the US; frauds like that of Maddox; and reckless speculation, as in Société Générale of France. But, these are individual sectoral and corporate problems. The overall national and global market, with many players, is still functioning quite adequately. That is the only and best available instrument of resource allocation that the world has, and will have.

**Role of Stimulus**

In the recent global financial and economic crisis, beginning September 2008, most countries have resorted to a fiscal stimulus. The US began with a nearly 800 billion dollars package. China applied a stimulus of over 500 billions. The Indian annual budget of July 2009 raised public expenditure by 34%. The G20 agreed on coordinating a global stimulus, both through national governments and a trillion dollar IMF facility. Following the example of the UK, the US government also invested in the equity of some troubled banks, considered “too big to fail”.

Some advocates of Keynes and state ownership of industry, see this as a return of Keynes. It is not so. Keynesian insights on under-employment equilibrium, and the need for public investment stimulus to move towards full employment are, of course, relevant, from time to time. But, beyond a point, they can lead to inflation. Many governments and central banks are already discussing and acting on “stimulus exit”.
Role of Money

By the 1970s, the initial enthusiasm and cult status of Keynesian economics were running out. The new danger was inflation. The role of Monetary Policy had become more important than that of Fiscal Policy. It began with Milton Friedman and his intellectual heirs at the Chicago School of Economics. Gradually it became the new orthodoxy globally. In India also the Reserve Bank’s degrees of freedom have been increasing. Among the remarkable recent successes was the control of historically high inflation. At one point, the RBI targeted 2%, which was probably too low for a high growth, unsaturated economy like India. Due to a combination of global and local factors, inflation is high, again. So, quite understandably, the RBI is pulling back from easy money, through CRR and rate rises.

Just as in the case of “Stimulus” Economics, so also in the case of “Monetary” Economics, it is not a permanent solution.

Role of Innovation

Beyond the “invisible hand” of Adam Smith; the Communism of Marx; the Stimulus of Keynes; the Monetarism of Friedman, the world is rediscovering the “Shiva” economics of Joseph Schumpeter. He stressed the importance of entrepreneurship; innovation; technological advance; obsolescence; and “creative destruction”. The current, increasingly borderless, fiercely competitive global economy, accelerates such innovation. The process is very similar to the Trimurtis (Trinity) of Brahma, Vishnu and Mahesh – the Creator, Preserver, and Destroyer.

The rail sector is in need of such continuing entrepreneurship; innovation; and upgradation. Some of it has been, of course, happening. But the potential of Railways’ competent human resources does not get fully actualised, given the understandable constraints of a departmental undertaking, subject to control by an administration and ministry, prone to the vagaries of personalities and party political interests. Only a freer, more open, diverse industry structure can unleash the powerful forces of initiative, competition and excellence.

Flexible Policy Model

The future Macro-Economic Model will have to be a creative mix of all the above, and other relevant and emerging strands of economic thought. It has to be not ideology driven, but a pragmatic mix of the Market; State Stimulus; Money and Innovation.

At any given point of time, depending on the domestic and global economic and socio-political forces and needs, one or the other strand may appear to predominate. But, not for long. Soon enough, the situation will change. Rigid adherence
to any one of the above strands will create new problems. There will have to be a correction. The current economic policy dilemmas include the following:

i. Fear of a Double Dip Recession in the US.

ii. Japan still not able to get out of its long, dark night of Deflation.

iii. Europe in danger of slipping into Deflation.

So, national; group, such as G20; and multilateral institutional policies will have to be flexible. Within the overall economy, sectoral prospects and problems will vary. This, naturally applies to Rail, as well. Accordingly, its structure, policies, and regulations will have to change. And, keep evolving.

**New Governance Paradigm**

The Paradigm of governance also needs to shift. The change needed is broadly from a relatively more “Top-Down” approach of government to one of more “Bottom-up”, and “Interactive” Governance. The government can not be the almost sole, unilateral pole. Governance has to become a synergistic multi-polar process. There are at least, four poles as in the following diagram.

![Governance Model Diagram]

The highlights of this Governance Model are:

a. People are at the centre. They are the most important stakeholders.
b. As far as possible, their needs will be served through an efficient, competitive market.
c. The market will consist mostly of independent firms. It may also include PSUs; PPPs; SHGs, etc.
d. Some of the social services may be delivered directly by government, involving people’s organisations as much as possible.
e. The government will ensure a service oriented market through empowered, independent regulators.
f. Civil Society organisations will play two roles – support the people; and influence the government and the market in the interests of the people. The CSOs include NGOs; Intellectuals, including academia; and the Press.

The role of government has already been changing from that of a “player” to that of a “facilitator”. The Telecom sector could not have exploded in such a revolutionary way in India, without the government allowing the entry of Indian and global entrepreneurship; technology; management; and funds. The other infrastructure sectors that are growing now, though not at the same breathtaking speed as Telecom, are Aviation and Power. Rail may benefit from similar, partial shift to the market.

The Rail Vision

We have dwelt upon three important forces, shaping our Vision for the Indian Rail Sector, for the 21st century. These are:

b. A Flexible Economic Policy Model.
c. New Governance Paradigm.

To this, we now add the following fourth model for formulating Vision and Strategy.

**Strategy Model**

The following diagram provides a comprehensive, systematic process for articulating the Vision; and the Strategy to actualise such Vision.

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a.  **Stakeholders**

   The most important stakeholders of any organisation are its customers. The railways have many customer groups. The analysis can be drilled down to several segments. Broadly, there are four groups of customers – Passengers; Commuters; Industry; and Tourists.

b.  **Mission and Objectives**

   The rail Mission may be stated thus:

   **To provide value for money rail transportation of people and goods, with safety, comfort and speed.**

   There are several nuances in any such Mission Statement. The words can be discussed, debated, dropped, retained, and some new words added. This is offered as a working draft.

   There are four inexorable, core objectives for any organisation.

   - Efficiency/Profitability/Net Surplus.
   - Growth
   - Image/Reputation
   - Survival/Continuity

c.  **Environment**

   We can look at the environmental scenario of the coming decade, up to 2020, in some detail; and broadly towards 2050, the peak of the BRIC countries. Exponential growth is envisaged. A strong rail sector is needed to support such growth. Will its present structure be adequate to meet such high growth? Doubtful.

d.  **Resource Audit**

   All organisations need to assess three issues – the scope for the better utilisation of the already substantial resources; generation of more internal resources; and, on top of such rising efficiency, mobilisation of additional resources. There is, normally, plenty of scope for the first and second challenges.

   **India Rail Vision**

   With the above four inputs of data and insights, we can formulate a Vision.
To be one of the two largest rail sectors globally, with world class standards of operation.

While the Vision is to be actualised in the next few years, hopefully by 2020(?), the sector will need long term Goals for specified years, such as 2015, 2020 on Traffic; Revenues; Costs; Lines; Investments etc, as well as annual budget targets.

The formulation of strategies to achieve the above Mission and Vision needs to be a creative, interactive process. As an input into such a discussion, this section offers six components of a desired strategy – creating more SPVs; PPP; opening up to the Private Sector; setting up a Regulator; Corporatizing the existing Departmental Railway Undertaking; and Listing its shares for public participation.

More SPVs

The railways experience has been good with the creation of separate corporate entities, as special purpose vehicles, for specific strategies and projects. Some examples are IRCON; RITES; and Konkan Railway. Based on this, further strategic scope may be identified and such SPVs set up.

The SPV has a number of well known advantages.

i. It can operate on sound commercial principles.

ii. It can implement specific tasks faster, with simpler decision-making processes and systems.

iii. It can bring in outside equity.

iv. It can leverage on its net worth and assets, and borrow further.

v. It can adopt different, suitable policies on employees; compensation; vendors, etc/

PPP

The Public Private Partnership concept has been around for quite some time. It has been part of discourses on development in multilateral fora as well as in India debates. The PPP concept has figured in the statements of Indian ministries, agencies and state governments. It is prominent in the Railway Budget 2009. But, not much action has happened on the ground, PPP is a strategy with scope for railways in programmes and projects with some or more of the following features.

a. Requiring a big investment, which railways alone cannot put up, due to many competing demands.
b. Where industry is the main or significant user.

c. Where there is potential market demand, and a reliable revenue stream.

d. The railways contribution can come in the form of physical assets, such as surplus land.

**Private Sector**

A further extension of the strategy would be to allow the private sector to invest in railways in the following ways.

i. Own and operate trains in the existing tracks, between agreed destinations.

ii. Lay new tracks, along with stations and other infrastructure, and allow multiple operators to run trains on them.

iii. Lease trains and/or tracks.

iv. Bring in different models such as BOO and BOOT.

The Indian private sector has grown in size, competence and stature. It has giant groups and companies, which have invested huge sums in core and infrastructure projects such as Oil & Gas; Power; Telecom; Ports; Airports; Roads etc. They have made big and audacious acquisitions abroad, including in Europe and US. Not all initiatives have succeeded. But, the overall track record and confidence level are impressive. Their entrepreneurial, managerial, technical and financial resource base will continue to grow exponentially. Experienced former public sector managers are, and can continue to be, part of their valuable human capital.

**Regulator**

Even when an industry is a public sector monopoly, a regulatory agency is required. LIC was such a monopoly in the insurance sector. In the absence of a regulator, there were many visible and hidden costs to the economy. It was the efforts of Prof. Manubhai Shah and other consumer activists that brought about better service; bonuses; premia; and returns to the policy holder above the low earlier figure of 3%. With the entry of Indian Private Companies, with foreign partners, we now have the IRDA, Insurance Regulatory and Development Authority. A regulator grows with experience, in terms of domain knowledge and equitability of investigations and decisions.
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In the Telecom sector, we have had not only the regulator in the form of TRAI, but also an appellate tribunal in TDSAT. In power we have CERC at the Centre and SERCs at the state level. The SERCs deal with a sector comprising public sector organisations like the SEBs as well as IPPs, Independent Power Producers; and Distribution Companies. Similarly, we need a RRAI, Railway Regulatory Authority of India.

**Corporatisation**

In Telecom, we had MTNL as a corporate entity, operating only the Delhi and Mumbai circles. Its share is listed and trades in the NSE and BSE. The rest of telecom was a large departmental undertaking, when the sector was decontrolled and the private sector was allowed entry. The private telcos have hugely expanded the telecom market. India has been, for some time, the fastest growing cellphone market, in the world, ahead of even China. The nation’s teledensity has shot up from less than 1% in 1992 to 30% now. The entrepreneurial and professionally managed Bharti Airtel has just acquired Zain of Africa, with operations in 15 countries in that continent.

The Government’s departmental telecom undertaking has been Corporatised into BSNL. Similarly, several states have restructured the SEB into three companies Generation; Transmission; and Distribution. We have a national power market, with a daily price graph.

Similarly, beyond the SPVs and PPPs, the remaining part of the departmental railways may be corporatised at a suitable point of time.

**Listing**

A listing in the stock exchange, and floating even 10% of the equity has had beneficial effects on many PSUs including the Oil Companies; SAIL; BHEL; NTPC; Fertiliser companies, etc

i. They have accountability to the outside shareholders in the form of individuals, MFs etc.

ii. The board composition and Corporate Governance improves.

iii. For the management and employees there are clear parameters of performance, including profits, eps; and share price.

iv. The employees can experience both the joys of working for and owning a part of the company.
v. The entrepreneurial, financial and other strengths and opportunities are gradually leveraged.

Way Forward

We conclude this article, by stressing the three steps that need to be taken first:

a. Set up a regulator.

b. Open up railways to the private sector.

c. Hive off the departmental railway into a Corporation.

Of these, the first can be done almost immediately. The second may take some time, for the preparatory work. The third may take a little longer for internal dialogue and overcoming some natural, initial resistance to such big change.

Regulate

An independent regulator, in the form of RRAI, mentioned earlier, can be announced. The government now has the experience; learning; and competences required to set up such a regulatory agency.

a. The Chairman need not be a railways technical expert. He can be an expert in Economics, Management, Administration or similar field.

b. It can have a small secretariat with all the necessary specialists.

c. It can have a budget to hire specialists for short term assignments.

Open Up

The presence of the regulator will help in facilitating the entry of private sector.

a. The conditions of entry should not be so onerous that private investment will shy away.

b. At the same time they have to be such as to protect the interests of the customers.

c. Segmental and geographical monopolies should be avoided. If unavoidable, due to high capital entry costs, they should be suitably regulated.
Corporatize

The entry of private sector will itself have positive effects on the departmental undertaking. The new entrants need not be large. We need not wait for them to acquire a significant market share. Even when few and small, they will set new benchmarks of performance, as the private airlines did, in punctuality; service; decor; hygiene etc. They will inspire at least some of the departmental employees to compete and raise their performance. Gradually, the work culture will improve. The idea of corporatisation will gain more and more adherents. All legitimate concerns about pay; pensions, etc can be discussed and amicably settled. The government must state a clear strategic intent to corporatize; and stay firm. All apparent hurdles can be overcome.

Conclusion

I have been an admirer and user of many positive aspects of Indian Railways. I have been a defender of the railways, in many conferences and interactions.

The Mission, Vision and Strategies proposed in this article are not against IR, but in India’s long term growth interest. “Not that I love the Railways less; but, I love the nation more”! I hope it will be taken only in that constructive spirit.

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Men love to wonder and that is the seed of science.
- Ralph Waldo Emerson

Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning.
- Albert Einstein