



100% FDI: PROPOSAL & IMPACTS TO RAILWAY INFRASTRUCTURE

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ABSTRACT

Indian Railways is state owned enterprise operated under Ministry of Railways. This state owned enterprises is now opened for 100% FDI in Railway infrastructure. Being one of the world's largest railway network, it is attracting huge foreign investment and other private sector players. PPP model is really helpful in improving the railway infrastructure and PPP approach will also expedite the developments in Railways infrastructure. As a result, first project under PPP model has already been delivered on 14-July-2015.

Key Words: KRP, JUSBRL, FDI, PPP

Introduction: Indian Railways is the 4th largest rail freight carrier in the world and worth USD 1,000 Billion projects are being awarded through Public Private Partnership. 1.3 Million-Strong workforce is expected for world's largest passenger carrier in future. The FDI liberalization in the sector would help in modernization and expansion of the railway projects.

It will give boost to infrastructure development and generate jobs. It is to be noted that the growth of the sector relies heavily on capital investment. Opening gates to FDI will provide necessary impetus to the sector and encourage



private participation. **However, FDI will not be allowed in train operations and safety.**

Objective: This research paper is an attempt to find out the infrastructures activities in Indian Railways where 100% FDI is permitted by the govt. and its impact on Indian Economy.

Review of literature: The Railways Policy of 2012 had also allowed foreign players in rail projects, but this could not become a reality as the Industries Act, 1951, and the consolidated FDI policy of 2013 did not have enabling provisions. The Cabinet also permitted foreign investment in rail operations like dedicated freight lines, high-speed trains and mining & port connectivity, besides allowing FDI in some projects like construction of new lines, gauge conversion, doubling of lines and maintenance projects under the public-private partnership model. For joint venture projects up to 74 per cent FDI will be allowed. These FDI proposals will be allowed under the automatic route, so these will not require FIPB approval. This decision, too, is an executive one and need not go to Parliament.

Benefits of Study: This paper helps in researching the developments in railway infrastructure as part of PPP activities.

Material and Methods: This research paper is based on secondary data collected from

various magazines, websites, journals, TV Channels etc.

FDI Proposals in Railway Infrastructure:

100% FDI in the railway infrastructure segment has been allowed recently which has opened up opportunities for participation in infrastructure projects such as high-speed railways, railway lines to and from coal mines and ports, projects relating to electrification, high-speed tracks and suburban corridors.



Indian Railways has begun exploring the PPP mode of delivery and aims to award projects worth USD 1,000 Billion through the PPP route. Some of the sectors/project proposals are compiled here.

- The sector aims to boost passenger amenities by involving PPP investments in provision of foot-over bridges, escalators and lifts at all major stations.
- Last-mile connectivity to boost business activity in and around ports and mines has been proposed through the formation of special purpose vehicle (SPV) companies under the Public Private Partnership (PPP) model.
- The Indian Railways aims to involve private equity through individuals, NGOs, trusts, charitable institutions, corporates, etc. to provide passenger amenities such as battery-operated carts to facilitate movement for senior citizens and differently abled, at stations.
- To strengthen rail connectivity with various ports, IR has floated SPVs under the PPP mode. Pipavav Rail Corporation Ltd., Bharuch-Dahej Railway Company Ltd., Kutch Railway Company Ltd., Hassan-Mangalore Rail Development Company, Obullavaripalle - Krishnapatnam Railway Company Ltd., and Anugul- Sukinda

Railway Company Ltd., have been established.

- Three rail connectivity projects namely Gevra Road-Pendra Road new line, Raigarh-Bhupdeopur new line and Jaigarh Port connectivity projects are being implemented through the joint venture route.

Railway Infrastructure: 17 key areas proposed for 100% FDI

1. Installation and maintenance of Bio-toilets in passenger coaches
2. Technological solutions for manned and unmanned level crossings (Construction and maintenance of ROB/RUB /Limited Height Subway)
3. Technological solutions to improve safety and reduce accidents (Installation and maintenance of Asset failure detection systems (Track/ Rolling Stock/Signaling etc.)
4. High Speed Train Projects: Projects involving those trains which will run above 250 Km/hr speed; and will have no connection or link with any existing railway line or route. The designer will have complete freedom to exercise his creativity and ideas; Government will also chip in with resources and money **(Fig 1)**



Fig 1

5. Mechanized laundry (land will be leased by Ministry of Railways at Re 1 / annum)
6. Producing non-conventional energy from sources such as solar, tidal, wind etc. with open market tender being offered.
7. Rolling stock procurement



Fig 2

8. Concessioneering of standalone passenger corridors (branch lines, hill railways etc.) (renovation of these lines, optimizing them for better commercial usage) (**Fig 3**)



Fig 3

9. Testing facilities and world class laboratories for experimenting new technology
10. Setting up Railway Technical Training Institutes
11. Construction of world class passenger terminals and renovation/maintenance of existing stations



Fig 4

12. Creation of Freight terminals/ Logistics Parks in strategically important locations



Fig 5

13. Signaling system – Construction of new facilities to develop advanced systems and renovating/maintaining existing systems
14. Railway Electrification
15. Rolling stock including train sets and locomotives or coach manufacturing and maintenance facilities.
16. Dedicated freight lines on a Joint Venture and/or PPP model, with clear revenue sharing guidelines (Private Trains on certain lines will also be allowed from now on..)
17. Suburban corridor projects through PPP: All new suburban corridor projects are permissible when launched through PPP route by MoR. The developer can construct, maintain and operate the corridor within the concession period.

The Railway Board has outlined a series of 'terms and conditions' which apply in this unique 100% FDI route, such as in those projects which are situated near border areas, FDI beyond 49% will be brought before the cabinet panel for due approval; safety clearance and audit are required for projects involving public carriage of passenger and more.

First PPP Project: Railway-line between Gandhidham and Tuna-Tekra Port in Gujarat

Minister of Railways Suresh Prabhu on 14 July 2015 inaugurated the broad-gauge railway-line between Gandhidham and Tuna-Tekra Port in Gujarat by flagging off a goods train. The rail line is India's first railway-line built with private sector participation under Non-Government Railway (NGR) Policy 2012 of Indian Railways. The rail line has been built at a cost of approx.185 crore rupees for M/s Kandla Port Trust (KPT) to bring about better and faster rail connectivity to Port of Tuna & Tekra. The rail-line between Gandhidham, a town in Kutch district of Gujarat, and Tuna-Tekra Port, a port 20-km west of Kandla in Gulf of Kutch, was funded by M/s Kandla Port Trust (KPT) and Western Railway Zone of Indian Railways coordinated and pioneered it. The project, approved by the Railway Board in October 2013, was completed in a record time of 12 months in May 2015 and was executed in two parts. The first part, viz., 11-km Gandhidham-Tuna Rail line was executed by Western Railway Zone as deposit work while the second part, viz., 6-km Tuna-Tekra line was executed by M/s Kandla Port Trust. The major traffic on this line will be coal and fertilizer with an expected commodity traffic of average 4 rakes daily resulting in an approximate revenue of 500 crore rupees for Indian Railways (**Fig 6**).

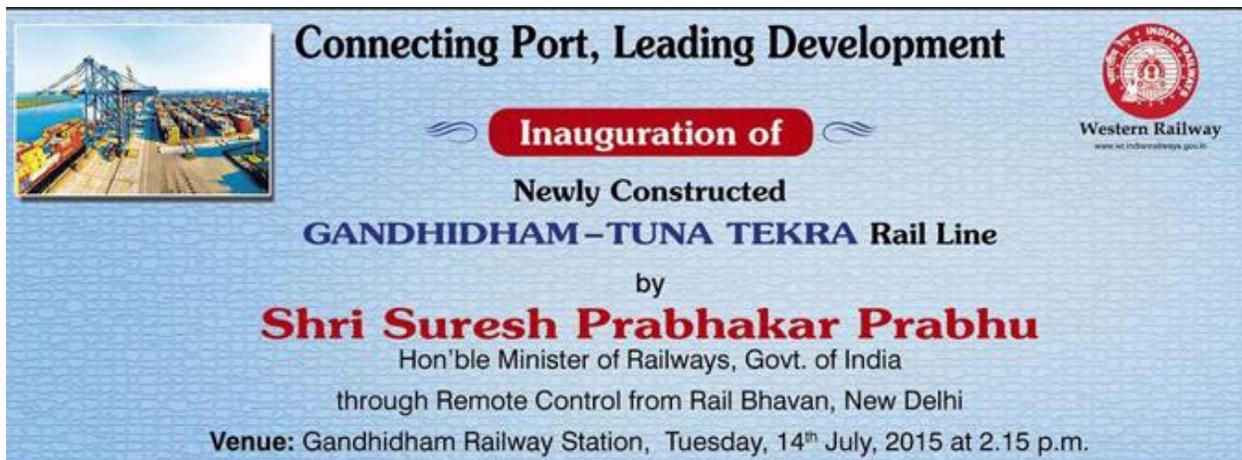


Fig 6

Other Proposals: Locomotive factories in Bihar

Two new locomotive factories in Bihar, which were finalized by the Government of India would be developed on public-private partnership basis. The project is a part of the government's strategy to use PPP mode as an important tool for mobilizing resources in the development of railway infrastructure projects in India.

The government has planned to establish an electric locomotive factory at **Madhepura** in Madhepura district and a diesel locomotive factory at **Marhowrah** in Saran district, both in Bihar. The two projects are estimated to cost Rs.1,294 crore and Rs.2,053 crore, respectively, with limited equity contribution by the Ministry of Railways.

Following the commissioning of the projects, over a 10-year period, the factories will provide Indian Railways with 800 electric locomotives of 12,000 hp each and a mix of 1,000 diesel locomotives of 4,500 hp & 6,000 hp with high-level performance guarantees similar to international practices. The locomotives manufactured at both these factories will be fuel efficient and help mitigate the adverse impact of greenhouse gases.

Impacts to Indian Economy & Railways

- **Modernization and expansion of railway projects:** Kashmir Railway Project (KRP) is being developed to provide an alternative and reliable transportation system to the state of Jammu and Kashmir. The line is officially called the Jammu-Udhampur-Katra-Quazigund-Baramulla link (JUSBRL). The

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project is expected to be finished by March 2016 and will have a lifespan of 120 years.

- **Increase in manufacturing share:** Delhi-Mumbai Industrial Corridor (DMIC) project aspires to triple industrial output and quadruple exports from the region in the next seven to nine years.
 - **Easy travelling:** New DMIC Cities will help to meet pressures of urbanization and also lead India's economic growth for the next 20 -30 years.
 - **Generate employment:** GoI allowed **100%** FDI in infrastructure which create employment in construction of Testing facilities and world class laboratories for experimenting new technology and Setting up Railway Technical Training Institutes and Construction of world class passenger terminals and renovation/maintenance of existing stations. DMIC project aspire to double employment.
 - **Encourage private participation:** Indian Railways being one of the world's largest railway network can easily attract private sector players for investment.
 - **Boost to infrastructure development:** though Indian railways in one of the largest enterprise in the world but it still lacks basic infrastructure facilities. Opening this sector to FDI will surely give boost to infrastructure development which in turn results in tourism.
 - **Technology growth:** The increased FDI Inflows to Railway Related Components industry in India has helped to bring in the latest technology into the industry of railway related components. All these measures will help to improve the quality of the products of railway related components industry in India.
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