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Centre for Public Policy Research (CPPR) is a think tank dedicated to extensive and in-depth research on current economic, social, and political issues. We study public policies with a dedicated, objective, and an unbiased approach. We strive to initiate policy changes by publishing our research and by framing policy debates and discussions on various subjects. Our research areas include Governance, Education, Health, Law, Livelihood, and Urban Reforms.

RAIL REVOLUTION- 2025

I. Executive Summary

Today, Indian Railways is the third largest railway network in the world. It transports 23 million passengers every day and 2.65 million tonnes of freight traffic.¹The vision of Indian Railway is to provide safe, efficient, affordable, customer focused and environmentally sustainable integrated transportation solutions. However, over the past years, safety and efficiency of railways has become a great concern.

The railways were set up during the British era. The organizational model of the railway then was adopted by the independent Indian government without any changes. The rate of development of railway since independence has been slow and disappointing. For instance, we still follow the archaic organizational structure even after 6 decades. Hence, the need of the hour is to rework the organisational structure of the railway to transform Indian Railway and to modernise railway infrastructure, expand its capacity, secure safety, be more efficient and serve the needs of the people of the country at large and the country's overall transport strategic needs of the 21st century.

This policy brief proposes reorganisation of current industry structure and proposes a new organizational structure for the railways to meet the needs of the 21st century.

II. The Great Indian Organisation

The Indian Railways is one of the largest employers in the world employing roughly 1.4 million people. This facilitated the big organisational structure across the length and breadth of the country. The whole organisation is run by the Ministry of Railways which is headed by the Minister of Railways and one or two Ministers of State. They head the Indian Railway Board. The Railway Board comprises of a Chairman and six other members from specific departmental areas such as engineering, mechanical, electrical, staff etc

¹ Report of the Expert Group for Modernization of Indian Railways,

The Railway Board manages and supervises all the 17 railway zones which are given below:

1. Central Railway	10. South Central Railway
2. East Central Railway	11. South East Central Railway
3. East Coast Railway	12. South Eastern Railway
4. Eastern Railway	13. South Western Railway
5. North Central Railway	14. Southern Railway
6. North Eastern Railway	15. West Central Railway
7. North Western Railway	16. Western Railway
8. North East Frontier Railway	17. Konkan Railway
9. Northern Railway	

Each zone is headed by its own General Manager (GM) and assisted by Principal Heads drawn on departmental specialization such as commercial, mechanical, electrical, finance etc. Each of the zones would have three or more divisions under it. Decision making powers is centralised and is vested with the Railway Board. The GM of each zone does not have power to regulate day-to-day operations.

Major constraints under the present organisational structure preventing the growth of railways are:

- a) The Railway Board is the chief administrative and executive body. Apart from its functions as the top Railway executive body for the administration, technical supervision and direction of the Railways, the Railway Board function also as a Ministry of the Government of India and exercises all the powers of Central Government in relation to the Railways. The Railway Board also exercises the powers of the Government of India in regard to Railway expenditure subject to the ultimate financial authority of the Minister of Railways and the Union Cabinet. This organizational structure was set up during the British era in the 18th century². Due to the current roles and responsibilities, Railway Board is left with little time for strategic thinking and for policy making function. It is unable to focus on primary vision of the Railways.
- b) Inadequate empowerment at zonal railway level coupled with absence or diffusion of accountability has caused poor project management and inadequacies in project delivery system resulting in enormous time and cost overrun.
- c) Lack of adequate incentive for attracting private investment for railway infrastructure.

²'Structure and objectives of Railway Management', www.indianrailways.gov.in, http://www.indianrailways.gov.in/railwayboard/uploads/codesmanual/ADMIN_FINANCE/AdminFinanceCh2_Data.htm

- d) Absence of a system to track trends in technological developments, induct new technology and develop indigenous technology.
- e) The Railway Passenger Insurance Scheme 1994 was introduced in the Rail Budget 1993-94 to insure passengers against any injury or loss of life from a rail accident. However, no revision of compensation amount has been made since 1994.
- f) Absence of an authority to investigate railway accidents. At present, Airport Authority is handling Commission of railway safety.
- g) Railway Board was established in 1905. It's functions have widened over the past century and now it handles an array of non core business activities such as 7 Railways production units for rolling stock, 7 centralised Research and Development institutes, 11 PSUs set up for catering and ticketing services, construction, finance etc.
- h) Absence of a policy review system. There is no system to review, evaluate and improve the functioning and efficiency of Railway Board at present.

III. Policy Proposal- 3 Phases for Rail Revolution

A. Phase 1

i. Decentralisation of powers and operation

- ❖ The Railway Board will be reconstituted. The Chairman of the Board would be an expert supported by a team specialized in each core business activities of railways such as passenger services, freight transportation, infrastructure development, finance, safety, business development and human resources, tariff regulations. The Railway Board could hand over the management of non-core activities such as catering & ticketing, managing of research institutes, production units or spin of the business units to private players on PPP mode.
- ❖ The Board will in charge of only policy making and planning. The Board can focus more time on strategic development of railways to meet the needs of the 21st century.
- ❖ Commission of railway safety to be shifted from Civil Aviation Ministry to Railway Ministry. It would investigate rail accidents and decide on compensation to injured or deceased in such accidents. Currently, the Railway Passenger Insurance Scheme 1994 which was introduced in the Rail Budget 1993-94 covers incidences of deaths/injuries to bona fide passengers on account of terrorist attacks, dacoities, bomb blasts etc. The scheme has fixed the amount of compensation ranging from Rs 32,000 to Rs 5 lakh for 34 categories of injuries. These amounts are meager compared to compensation provided in an airplane accident. Further these compensation amounts have never been revised since

1994. Similar to airline sector, a travel insurance option for a nominal amount by private insurers can be provided to travelers while booking the railway ticket.

ii. Reorganisation and empowerment of zonal railways

- ❖ After the reconstitution of Railway Board, it would review each zonal railway and divisions falling under it and map out the various constraints and challenges faced by each zone. After such a review, the Board will restructure the zonal railways and its divisions. Zones can be combined or new zones can be formed or geographical area of a zone could be altered. Similarly, divisions could be combined; removed or new division could be formed. Further, each zonal railway could be restructured into departments based on core business activities such as infrastructure development, management of railway property, finance, business development etc.
- ❖ After reorganisation of zones and divisions, a company would be set up to operate and manage each zone and its divisions. The Konkan Railway Corporation which operates and manages the Konkan railway would be the model company for setting up of such zonal companies.
- ❖ Each zonal railway company would be responsible for operation, management, and development of railway under its jurisdiction. The head of the company (i.e. current GM of each zone) would be empowered to take such decisions without reference to Railway Board within the framework of policies. Further, they will also handle developing, upgrading and maintaining the rolling stock and railway stations.

iii. Functions and powers of Zonal companies

- ❖ Powers of each zonal company include monitoring of day-to-day operations, development of the infrastructure such as constructing of stations and designing and constructing platforms based on the current and projected traffic volumes, addition or removal of trains between routes, upgrading of rail wagons, managing finances and monetizing railway land and air space. It can enact and implement regulations for safety, cleanliness and hygiene in the trains operating in their zones and at railway stations.
- ❖ Each zonal company would prepare an annual zonal railway budget to govern its zone and divisions. This would enable individualistic growth of each zone based on each zonal and divisional requirement. Annual Financial Budget by the Central Government could provide the budget outlay for each zonal railway.
- ❖ To lay a new railway line between zones, the concerned zonal companies' Heads would decide on the railway route and the rail infrastructure to support the new railway route. For instance, to run a bullet train between two zones, the zonal companies would enter into a JV to construct the required infrastructure and invest in the modern locomotives to function between the zones. The expenses for the construction would be shared proportionately by each zone.

- ❖ The Railway Board will set the upper limit of fares and charges for both passenger and freight travel to be charged by each zonal company. Fares and charges would be set based on Kilometers travelled to ensure uniformity at zones. Special fares and charges would be set for the high speed trains. All the fares and charges would be subject to revision from time to time. Additional income can be generated by each zonal company by monetization of railway assets.
- ❖ Each zonal company would be accountable for transport output and profitability. The income generated for a rail journey would be divided among the zones covered proportionately. For instance, if a train journey covers three zones in its route, then each zone will earn income for tickets booked from its zone.

iv. Review Mechanism

- ❖ Each zonal company would submit an Annual Performance Report to the Railway Board. The Railway Board would review and analyse the implementation of policies and progress of each zone and provide feedback to each zonal annual performance report to improve the performance by next year. The performance reports of the Zonal companies in the succeeding year should reflect on the number of suggestions implemented and the outcome of the same. The Railway Board could also modify the policies and planning based on the performance of the zonal railways so as to facilitate further development and expansion of railway in India.

B. Phase 2

v. Redevelopment under PPP

- ❖ Zonal companies could get into PPP for redeveloping old railway stations or renovating railway stations falling within their jurisdiction. The presence of a private entity would be able to attract FDI for the infrastructural development. The State-of-the-Art railway technologies would be the solution to address all the current issues faced by railways such as lack of capacity to transport passengers and freight, safety issues, hygiene and cleanliness issue, lack of customer services.

vi. Monetization of railway assets

- ❖ Indian railway is the owner of large amount of land across India whose valuation is very high owing to the prime location of railway in a city or town. One of the current issues faced is there is under utilisation of land and air space. Each zonal company can bring in expertise for optimization of land and air space use. Each company can reap the benefits of the profits generated out of the monetization. That would enable each company to increase the annual outlay for further development and operation of zonal railways.
- ❖ Land and air space can be monetized to generate more than enough money to provide subsidised travel fares under the social obligation norm of Railway

Ministry.Railway Board will be setting rules for providing subsidized travels in each zone.

- ❖ Better use of railway assets along with higher quality of service and greater emphasis on profitability will generate more zonal income to compensate the railway employees adequately. Moreover, railway land is will be utilised and developed for commercial activities. The railway employees who would lose their employment due to reorganisation of zones and divisions would be relocated to work in these commercial centres.

vii. Setting up of Production Units under Make in India Campaign

- ❖ Zonal companies could enter into JV agreement to set up manufacturing facilities for modern rolling stock and components as part of Make in India campaign. That would increase employment opportunities, reduce the import cost of such rolling stock and in effect increase the GDP.

C. Phase 3

viii. Review of zones by railway board

- ❖ By the end of second phase, not only present issues faced by passengers would be resolved but it would also enhance the experience of travelling by railway. For instance, time taken for long distance travelling at present would be considerably reduced. Each geographical location would be better connected with high speed trains. Thus, there won't be a need to have 17 zonal railways and divisions to operate and manage the railway network.
- ❖ The Railway Board could reevaluate current demarcation of 17 zones and combine two or more zones under one jurisdiction and recommend fewer geographical zones to operate and maintain entire Indian railway. So one or two zonal companies would be merged to operate and manage the larger zones.
- ❖ Railway Board could identify geographical areas where railway services are not available and inquire whether any of the existing zonal company is willing to undertake construction of new railway route, railway stations and to operate and maintain the same in the new area. In case, no zonal company is willing then a new company could be set up to operate and manage the new area identified.

Conclusion

The policy brief estimates that by the end of a decade, the proposal would be able to revamp and modernize the present Indian Railway into a World Class mode of transportation to cater to the needs of 21st century and to support the inclusive growth of the nation.