

The Railways needs new policy signals

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The Debroy panel makes some noteworthy suggestions. A regulator accountable to Parliament is a desirable step

India has adopted the mixed economy approach as a mantra. The same applies to the Bibek Debroy Panel's treatment of private participation in the Railways. It does not recommend privatisation of the Railways anywhere in its report. There has been much noise over whether the report recommends privatisation, which the minister Suresh Prabhu has contested.

India liberalised the airline sector but did not wind up the haemorrhaging Air India. However, the panel report does deal with stemming blood flows in the Railways in various ways.

The draft report is well done and can change the face of the Railways if the recommendations are implemented in a defined time frame.

Needless furore

It is not that private participation is foreign to Railways. Container freight operations have been opened up to private participation. Some passenger trains too are being run by private parties, such as the Palace on Wheels.

The hullabaloo over privatisation is akin to the response to the National Transport Policy Development Committee, headed by Rakesh Mohan, which called for an integrated transport ministry.

It is possible and advisable to allow private operators to run trains in competition with other operators, including the Railways, while the track remains exclusively the Railways' property, as is the case in various advanced countries.

But they follow competitive neutrality as a core principle — not favouring their trains over private trains. Alas, lack of neutrality is practiced even today in the deregulated container freight business in the Railways.

The Debroy Panel report has clinically analysed all the past committee reports, including the Rakesh Mohan panel's. Actions taken or not, and why, also feature in this excellent draft report. It is often so difficult to get old reports in our government's labyrinthine system, established before the internet/website age.

New committees have to reinvent the wheel all the time. My own experience while steering a Planning Commission working group to improve the business regulatory framework showed that none from the Commission or the relevant ministries were aware of the work already done. So we were forced to start from a poor baseline.

Surprisingly, the Debroy Panel has not commented on the earlier recommendation of creating a composite transport ministry. One can imagine that the Railways would not have suggested *harakiri*.

However, Debroy who is now a member of NITI Aayog, should rise above partisan interests. The idea is in sync with the Modi government mantra of 'minimum government, maximum governance'. There is one minister for power, coal and renewable energy, even though separate departments exist. Such an arrangement helps to create better policy coherence.

Regulatory route

Importantly, the Debroy panel has adopted healthy competition principles in some important recommendations.

The members must have drawn from the draft National Competition Policy on the website of the Ministry of Corporate Affairs, which is yet to be adopted. The dynamic minister, Arun Jaitley does not have the time, it appears.

The very important recommendation, to separate policy making from operations and regulation, is music to many ears. One of the reasons of the mess in the telecom and electricity sectors is that the same minister decides policy, runs state enterprises and oversees the 'independent' regulator.

Thanks to technological advances, the telecom sector is not as bad as the electricity sector. The spectrum scams in the telecom sector are another story, though that has now been brought under control.

The Railways is the only sector in India with an institutional tradition of creating an arms length relationship with the government, and this can be a guiding principle for others. The Commission on Railway Safety reports to Ministry of Civil Aviation and not the Railways.

However, the Debroy panel suggests an independent railway regulator to oversee safety as well, which does not make sense, when the CRS already exists.

Granted its work needs much improvement, but why reinvent the wheel? The idea of a rail regulator to determine tariffs and address cross subsidising is more than welcome, but nowhere in the world does the regulator also deal with safety aspects.

A brilliant suggestion by the panel is that the regulator should be answerable directly to Parliament and not to anyone in the government.

This process will ensure that the regulator can function effectively, and that the jobs will go to the best possible person rather than another retired civil servant or judge.

Such a move by Suresh Prabhu can be a game changer in our economic governance system.

There are many other good and not so good ideas in the Debroy Panel's report, and while waiting for the final report by June, let's hope that the Railways do not appoint another committee to debate the ideas.

Too many committees

The Parliamentary Standing Committee on Railways has recently criticised the establishment of too many committees, and whether their recommendations are implemented: "Public money which has gone into the setting up and working of the committees was being squandered".

It would be useful for the Comptroller and Auditor General of India to put out the costs incurred and benefits garnered (or foregone) on the deliberations of all these committees established over the last 10 years. The costs should include all direct and indirect costs, including opportunity costs