

CHAPTER –I

INTRODUCTION: SCOPE AND RATIONALE OF THE STUDY

1.1 Background of the Study

Indian Railways (IR), also known as the Lifeline of the Nation, plays an important role in movement of cargo across the country. It not only plays pivotal role in movement of cargo but also plays an important role in handling this cargo at its various terminals which are normally known as 'Good Sheds'. The space for storing cargo, loading this cargo in wagons and again unloading at the destination station besides providing infrastructure for other related activities has undergone various changes over the time. Besides Good Sheds, IR has also encouraged setting up of 'Private Sidings' from time immemorial for increasing its share in movement of Freight Traffic. Another milestone was introduction of 'Private Train Operators' as per scheme announced in 2006, but its role was limited to Container Traffic only. In 2010, IR formulated policy on "PRIVATE FREIGHT TERMINAL (PFT)", to enable rapid development of net work of freight handling terminals with the participation of Private Sector. The present study is an appraisal of the experience of Indian Railways as well as Private players after launching of this scheme.

1.2 Scope and Limitation

Though efforts have been taken to get viewpoints of both IR and private players, the study has focused mainly on issues which have formed bone of contention. The study is confined to the experience of both Indian Railways and private players after having adopted the policy to throw open the Freight Handling Sector. The study is principally limited to the issues which need to be addressed so as to make this policy effective and fruitful.

1.3 Objectives

Development of Private Freight Terminals over the railway network is a clear break from the earlier operation policy of Indian Railways. An appraisal of this development will be helpful in identifying the benefits from the landmark policy of Indian Railways as a key handler of freight traffic, to permit private parties to setup parallel arrangements for handling freight trains on their terminals. The specific and explicit objectives of this study are:

- (a) To map the impact of Private Freight Terminals (PFTs).
- (b) To map the contours of policy evolution with respect to PFTs.
- (c) To examine the role of private players in promoting PFTs.
- (d) To study the relevance of policies of Ministry of Railways on PFTs issued in 2010, 2012 and 2015.
- (e) To recommend measures for enhancing effectiveness of PFTs.

1.4 Rationale of the Study

The policy of Indian Railways, a monopoly organization, to permit private parties to develop 'Freight Terminals' was the first of its kind. Prior to this, organizations had been allowed to develop 'Private Sidings', but that was limited to handle cargo either produced or consumed by them. Most of these sidings belonged to Government sector like FCI, Oil companies, Ports etc. But allowing private parties to develop freight terminals to handle cargo and provide warehousing facilities was a step to enhance the presence and share of railways in the overall logistics chain. The study will provide valuable information regarding the experience of the Indian Railways and the private operators as a whole in the making and execution of the policy. The experience of the Indian Railways in permitting private parties to develop PFTs will be the precursor to the future policy decisions regarding partnership with the private sector in running Freight trains.

1.5 Review of Literature

Puri (2003) recognizes private sector participation for bridging the resource gap. And he has proposed PFTs as one objective of PPP but he has not elaborated on this aspect in detail. There have been other reports like Deb (2000) as well as Karan Kumar (2007) and they are in favour of private sector participation but both these reports are silent on issue of PFTs. The most important document however is 'PFT Policy,

2010' issued by Ministry of Railways highlighting the objectives of policy as well as scope, procedural guidelines, terms & conditions. Ministry of Railways issued 'Revised PFT Scheme' in 2012 in supersession of 2010 policy incorporating 54 page standard agreement. However, this policy was also superseded by 'Revised PFT Scheme' in 2015.

1.6 Research Questions

The following research questions have been addressed during the course of the study:

1. What were the objectives of the policy for setting up of PFTs?
2. What has been the response to the policy?
3. What basic issues need to be addressed so as to make the policy effective and fruitful?

1.7 Methodology

The functional objectives of the policy of Indian Railways in permitting private players to develop their own 'Freight Terminals' was to divert high rated finished traffic so far predominantly moving by road to rail and attain increased rail freight volumes by offering integrated, efficient and cost effective logistics and warehousing solutions to users. The methodology to assess the effectiveness of this policy, therefore, comprises:

1. Detailed survey of the available literature to find out the background in which policy decision regarding entry of private players in developing freight terminals was taken.
2. Collection of data from Ministry of Railways and other sources regarding the private parties who responded to the policy, the infrastructure set up by them over the period and the impact on movement of cargo etc.
3. Interviews with Private players operating PFTs as well as those awaiting approvals.

1.8 Study Outline - Chapterisation

1. Freight traffic is the major source of revenue for Indian Railways. Chapter 2 deals with the major components of this area highlighting major parameters, loading commodities, complexities of freight operations, types of trains, wagons, loading/unloading patterns, etc. All in all, this chapter gives a brief overview as to how a freight train is handled as well as moved.
2. Role of Private Sidings and their share in Freight traffic has been brought out in Chapter 3.
3. Containerization and entry of private container train operator, which has been a major decision of Indian Railways permitting private players to handle and move containerized traffic has been discussed in Chapter 4.

4. The need felt for participation of the private parties in developing PFTs, the concept of PFTs and how this idea was conceptualized is discussed in Chapter 5.
5. The evolution of the policy has been discussed in Chapter 6. This chapter also highlights the various amendments issued as well as 'Revised PFT Scheme' launched in 2012 and once again in 2015.
6. In chapter 7, the discussion relates to the outcome of the private participation and experiences so far..
7. Chapter 8, which is the final chapter, presents the summary of findings vis a vis the research questions and the recommendations.