MONETISATION OF GOVERNMENT & INDIAN RAILWAY ASSETS

Uniqueness of Railways serving crores of citizens from all walks of life will be affected. Passenger & Freight fares will go up.

Brief about NMP

Government plan of National Infrastructure Pipeline (NIP) aims infrastructure investment of Rs.111 lakh crores over five-year period from FY 2020 to FY 2025. With annual average investment of approximately Rs. 22 lakh crore, this is a significant step-up 2.5 times vis-à-vis historical levels of spending on infrastructure. Government justifies its decision on asset monetisation stating that, the strategic objective of Asset Monetisation programme is to unlock the value of investments in public sector assets by tapping private sector capital and efficiencies. Which can thereafter be leveraged for augmentation/ greenfield infrastructure creation.

The total indicative value of National Monetisation Pipeline (NMP) for Core Assets of Central Government has been estimated at Rs 6.0 lakh crore over the 4-year period, FY22-25 as given below in the table. Details and value of assets already monetised or disinvested over many years not clearly known as there is no consolidated information given by Government.

Brake up sectoral share of NMP

S.N	Sector	Value Rs. in Cr.	Value in % to Total
1	Roads	1,60,200	27.4 %
2	Railways	1,52,496	26.1 %
3	Power Transmission	45,200	7.7 %
4	Power Generation	39,832	6.8 %
5	Natural Gas pipeline	24,462	4.2 %
6	Product pipeline / others	22,502	3.8 %
7	Urban real estate	15,000	2.6 %
8	Telecom	35,100	6.0 %
9	Warehousing	28,900	4.9 %
10	Mining	28,747	4.9 %
11	Aviation	20,782	3.6 %
12	Ports	12,828	2.2 %
13	Stadiums	11,450	2.0 %
	Total	**5,97,499**	

Indicative Monetisation Value from Indian Railways is Rs 152,496 crore, 26% of total NMP value. The Potential Asset Base considered includes assets owned and operated under the Ministry of Railways including identified PSUs and entities under it.

Key assets of Indian Railways proposed for monetisation over FY22-25

S.N	Asset	Total Available with Railways	Proposed Asset Monetisation		
			Quantity	% to total	Indicative value Rs. In Cr
1	Railway stations	7,325 Nos	400 Nos.	5.5%	76,250
2	Passenger trains	13,169 Nos	90 Nos.	5%	21,642
3	Railway track	67,956 km	1 route of ~1,400 km	2%	

4	Konkan Railways		741 km	100%	
5	Hill Railways	5 Nos	4 Nos., 244 km route		
6	Railway owned Good-sheds	1,246 Nos	265 Nos	21%	
7	DFC track and allied infrastructure	Total length of Eastern & Western Dedicated Freight Corridor 2,843 km	673 km	20%	
8	Others–Railway colonies and stadiums		15 Railway stadiums & selected Railway Colonies		

NIP task force report estimated, about 15-17% of the outlay is to be met through so called innovative and alternative initiatives viz. asset monetisation, funding through a new Development Finance Institution (DFI) etc. Of which asset monetisation has been suggested as a tool to monetise operational assets at both Central and State levels.

What Government says

Asset Monetisation, entails a limited period license/ lease of an asset, owned by the government or a public authority, to a private sector entity for an upfront or periodic consideration.

One of the examples implemented successfully quoted by Government is, in June 2020 Maharashtra State Road Development Corporation (MSRDC) awarded the tolling rights of Mumbai Pune Expressway and old Mumbai-Pune corridor (NH-48) to IRB Infrastructure Developers for a total consideration of Rs 8,262 crore comprising upfront payment of Rs 6,500 crore and the balance in staggered instalments over a period of three years.

Government says, Asset recycling is considered as an alternative strategy where there is a considerable public asset base–comprising of mature brownfield or surplus or under-utilized assets–which is leveraged for raising upfront capital for investment in new assets or for revitalization of existing assets. Asset recycling is being increasingly recognized as a means of alleviating budget pressure and delivering new infrastructure and services. It simultaneously enables private sector investors avoid risks associated with the construction phase. There is already an established track record of investment by institutional investors and funds in mature economic infrastructure projects such as toll roads, ports and airports in North America, Europe and Australia. More recently, such investments have been seen in Asia-Pacific region as well.

What is the reality

But, Leasing & licensing for long years will be as good as selling, may be worst than outright selling in some cases. Given the long-term leasing tenure 50 years or 99 years and complexity associated with these projects, it is beyond the vision of anyone to identify all possible contingencies and stumbling blocks during project development and operation for a long period of time. Unanticipated issues arising beyond agreed documentation cannot be settled. For number of reasons including failure by private operator, changes in socio & economic scenario, changes in Government policy, Central & State Governments to achieve their obligations, external circumstances, natural calamities, cashflows to the private operator, vulnerability of projects invested through FDI according to the unpredictable performance of international finance markets, etc these monetization plan will fail.

There is huge cost attached to the debt of private operators since they are required to provide good return of investment. This cost has to be borne invariably either by customers ie citizens or by Government in the form of subsides or by other means like tax concession, concession on loan interest or even writing off of loan.

Private sector is expected to do what it is paid to do. Monitoring of their performance in huge magnitude will be a major problem for Government agencies. Private sectors are not obligatory to spend money and to do R&D for future developments and needs.

Ultimately it is going to be Government's responsibility. Citizens will continue to hold Government accountable for quality of utility services. Government needs to have sufficient expertise to execute and monitor the contract to enforce the obligations.

Example

Private sector will likely to have advantages by holding better data relating to their projects, which will be a major hinderance in getting the Government's capital & operational share. Government is facing this problem with toll plaza operators of National High Ways. Government is not able to bring transparency in the huge collection done in the NH toll plazas. Citizens are forced to pay multiple taxation. For every vehicle, GST & road tax is collected, huge tax on petrol & diesel is being levied, higher insurance premium etc add to the cost escalation.

In addition, payment at toll plaza has become a major harassment for people from all walks of life, whether they use their own transport or public transport. Government is not in a position to declare income from toll plazas accurately. Toll plazas are not only looting the public money, they reduce speed of the travel considerably. They have done nothing to improve the safety in road travel. In fact situation is turning from bad to worse, in India number of road accidents and death & major injury due to road accidents is highest in the world. More collection at toll plazas have not resulted in reduction in accidents, painfully it is getting increased. More dangerously there is no comprehensive data on accidents and corrective & preventive action taken by them is available with Government. It is clear that except Toll Plaza operators no one in India is happy about Toll Plazas. One of the article based on RTI replies published in a National Daily attached as annexure hits out how crores of rupees seem to have been swindled every year

Government don't release any data on difference in cost of travel between then Mumbai Pune Expressway, now Maharashtra State Road Development Corporation (MSRDC) road. We have to mind that it is not a new infrastructure, even though it is an existing infrastructure, the cost of Rs.8262 plus loan interest payment, profit margin etc will be collected from users of this road within a period of three years.

Indian Railways may not available for common men

Second Class-Ordinary in Indian Railways costs only 23.78 paise per KM, it is 20.73 paise/KM for sub-urban travel. In 2019-20 IR carried 808.6 crore passengers. Out of this 644.8 crore (80%) were using sub-urban and second-class ordinary travel, only 20% were using reserved classes including sleeper class, i.e 94% of passengers are using sub-urban, second class ordinary and sleeper class travel. Any monetisation of Indian Railway infrastructure including Railway Stations, Passenger trains, Railway Tracks, etc will put these 760 crore common men in serious risk of paying more for the same service or less availability of these common men services.

For upper class passengers invariably, fairs will go up and the benefit of higher fares will be eaten away by private train operators. Two classes through them Indian Railways is earning profit, A/C three tier & AC Chair Car, will be robbed by private train operators.

Indian Railways infrastructure has been developed and continue to have addition according to the need in passenger & freight traffic taking into consideration socio-economic conditions without profit moto. A huge infrastructure will be under the risk of disintegration. Given the vertically integrated structure of Indian Railways, its revenues are not segregated across individual routes, recovery of route wise cost will not be possible if individual rail routes are monetized and handed over to private. Individual ownership and management for rail infrastructure below the rail (track infrastructure management) will end in over exploitation of Railway tracks on some routes and closure of some other routes.

Standalone monetisation models for important 400 Railway Stations will be resulting in passengers and Railways paying “user fee” to private companies. Many of services now available free of cost like parking, drinking water, waiting & rest room facilities, etc will be charged substantially.

Monetisation of Dedicated Freight Corridors (DFC) will make a big dent in IR’s earning

Dedicated Freight Corridors (DFC) for the route length of 2,843 km costing around one lakh crore is a unique project. Nowhere in the world dedicated rail fright corridors developed with this magnitude of investment. Handing over of DFC to private through monetisation from the stage of commissioning of its operation will make a huge dent in the earnings of Indian Railways particularly when 64% of IR’s earnings come from freight traffic and no need to add it will increase freight fares also.

In a nut-shell value of assets to be monetised will be underestimated and expected return for the Government will not come. Neither monetization can reduce the cost of service to the end users i.e to citizens, hence Government should reconsider its decision on massive monetization proposals.

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THE NEW INDIAN EXPRESS

False data, money swindling: RTI data hint at massive toll-gate scam in Tamil Nadu

This indicates that a few lakh motorists' fees could have been kept off the records at the toll gate every month in 2019, and perhaps even before.

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CHENNAI: Ever since the Electronic Toll Collection (ETC) system was introduced on National Highways (NH), there has been a huge surge in the user fee collected, fuelling allegations that data was falsified, and crores of rupees swindled.

Take the month of July for instance. This year, 7.39 lakh more vehicles were levied a toll, compared to the same month in 2019, at the Paranur toll gate on the Chennai-Tiruchy NH.

Since February 15 this year, the toll was only collected through the FASTag system.

This indicates that a few lakh motorists' fees could have been kept off the records at the toll gate every month in 2019, and perhaps even before. Fees have been collected at the Paranur and Athur toll gates since April 1, 2005.

As per the National Highway Fee (Determination of Rates and Collection) Rules, 2008, user fee ought to be reduced by 60 per cent on realisation of the entire project cost.

If payments are not accounted for, the realisation of the project cost gets delayed, allowing toll gate operators to collect a high user fee even after the concessionaire agreement ends.

Truckers' associations said their allegations — that corruption was rampant in toll collection — are justified, and an inquiry is needed.

'FASTag has brought in transparency'

NHAI officials said there won't be any irregularities now that FASTag has been implemented. In July 2019, about 5.08 lakh vehicles crossed the Paranur toll plaza, yielding a collection of Rs 3.14 crore.

In July 2021, about 12.47 lakh vehicles passed the toll gate, yielding Rs 8.83 crore, as per data sourced through an RTI enquiry lodged by TNIE.

The information was furnished by PT Mohan, project director, Project Implementation Unit, NHAI, Kancheepuram.

Incidentally, in July 2019, just about 20 per cent of the toll collection was via FASTag, and the rest was paid in cash.

This July, however, 91.6 per cent was collected via FASTag, and the rest was paid in cash, including a penalty for using the wrong lane.

GR Shanmugappa, general secretary, South India Motor Transport Association (SIMTA), said there can be no scientific explanation for the increase in toll collection post the implementation of FASTag, unless there are irregularities.

"At Paranur toll gate alone, crores of rupees seem to have been swindled every year. If we do a similar assessment for all toll gates for the past 10-15 years, the toll-collection scam would run into several hundred crores. There should be an inquiry into this," Shanmugappa said.

SP Somashekar, regional officer, NHAI, Chennai said fee collection witnessed an upward trend at many toll plazas functioning under the Build Operate Transfer model.

"FASTag has brought much-needed transparency in toll collection," he said.

In January 2015, three toll gates on the Madurai Ring Road, operated by the Madurai Corporation, were closed following an order of the Madurai Bench of the Madras High Court.

C Sathiah, from Madurai, who is one of the litigants against toll gates on the Madurai Ring Road, said the toll gates around Chennai should be closed at the earliest.

Tamil Nadu State Lorry Owners' Association State president MR Kumaraswamy said the government should accept their demand of paying the entire toll fee at one time.

"Contractors should provide facilities such as emergency sale of diesel in case of truck breakdowns, and toilets, at toll gates," he asserted.

When asked whether the role of toll operators would be investigated, NHAI RO Somashekar replied in the negative.

TOLL COLLECTION AT PARANUR

COLLECTION TYPE	JULY 2019	JULY 2021
Number of tolled vehicles	5.08 lakh	12.47 lakh
User fee collection	₹3.14 crore	₹8.83 crore
Cash	₹2.52 crore (80%)	₹73.53 lakh (9%)
Fastag	₹61.91 lakh (20%)	₹8.09 crore (91%)

Data obtained by TNIE through RTI: In July 2020, FASTag was partially implemented and vehicle transportation not resumed fully due to Covid 19 lockdown. Hence, data not taken for comparison.