

Railways Invites Pvt Cos to Connect Mines With Plants

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NEW DELHI

The railways ministry has invited investment proposals from private companies in the country's power and steel sectors to build tracks connecting coal and iron ore mines with their plants, after failing to attract private capital in its earlier attempts.

The move forms part of the ministry's plan to attract private investment in rail connectivity between mineral-rich areas and industrial belts to support increasing demand for these key raw materials.

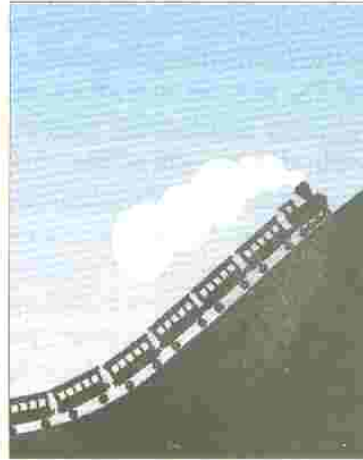
"A number of new coal blocks and iron ore mines have been identified for exploitation, but many of them do not have either rail or road connectivity," a railways official said, adding that the scheme is beneficial for both the railways and private firms.

Called R2CI, the new policy will incentivise developers by offering to return their investment over a period of 10-25 years through a surcharge on freight.

This is a substantial improvement over its earlier R3i policy for private sector participation in rail projects, which left out coal and iron ore mines out of its ambit.

The decision comes just three days before the railway budget and is seen as the ministry's efforts to improve its image as a department willing to tap private capital to develop railways infrastructure.

The railways will also undertake the operations and maintenance of such lines after the ownership is transferred to it. Companies can apply for the scheme either through setting up special purpose vehicles or through a capital cost model where the cost of construction shall be borne by an individual



ON TRACK

company, partnership firm or a joint-venture between firms.

To eliminate non-serious players, the railways will stipulate a lock-in period for investors.

"Between the date of execution and the commercial operation date, transfer of shares to any other entity except as provided in the agreement will not be permitted," the policy document states.

The railways ministry had initiated a similar scheme earlier to connect automobile factories with ports. But the initiative failed with the industry objecting to several restrictive conditions put in place by the railways.

"Railways need to be more receptive to the ideas of the industry & end-users so as to encourage the industry to invest in PPP model," said Vineet Agarwal, executive director of Transport Corporation of India in a note.

Railways minister Mamata Banerjee is keen to list some achievements as part of the railway budget to be placed in the Parliament on Friday. Railways' finances took a hit in the current fiscal due to an over 92% hike in salaries, two hikes in diesel prices and irregular freight business.