

IRIMEE

JNR & BR

PRIVATISATION Experince

Background

- Japan National Railway
- 27,600 Km , 19,800 Electrified
 - 22,300 Km -1067 mm gauge
 - 4800 Km - Std gauge
- Passengers- 7589 M, 260 B PKm
- Shinkansen- 2760 Km

Performance Before 1985

- Advent of Railways in Japan- 1876
- Formation of Japan National Railway - 1949
- Re-organisation as public corporation under Ministry of transport
- Road to financial collapse-
 - Loss of passenger and freight traffic to motorization
 - Decline of market share 45% in 1965 to 23% in 985
 - Profitability- Profitable till 1965
- Losses Mounted after Shinkansen

Performance Before --

- Losses – Mounted 1966 onwards
- High Establishment cost and excess capital borrowing
- Losses by 1980 ¥ Yen 1 trillion (USD 4 B)
- Subsidies from government in 1985 – ¥ 600 billion
- Government of Japan - Abnormal fiscal deficit after second half of 1970 due to heavy dependence on Direct Taxes
- Result -Privatization of major public Enterprises including Japan National rail

Changeover

- Privatization - 1987
- Split into 6 Regional Companies and One National Freight Company
 - JR East, West, Central
 - JR Kyushu, Hokkaido , Shikoku
 - JR Freight
- Management Stabilization Fund – 3 Island JRs assured Lump sum fund ¥ 14 T –
- JR E W C & Kyushu shares traded in Public
- Intermediate Institution JNP settlement Corporation- Resolution of problems of redundant worker resettlement and Long Term Debt .
- Auction of Surplus Assets- Land
- The corporation took over 70% of ¥ 37 T debt which was liquidated through Auction route

Post Privatisation

- JR companies allowed Real estate and commercials services
- Non Transport revenue –
 - JR East- 33%
 - JR Kyoshu- 60%
- Shinkansen & Express Trains cross subsidize Other services .
- Shinkansen- Competition from Air
- Turnaround of Shinkansen- 12 minutes (fewer platforms)

JR Freight

- Small Country – Rail mostly used for Passenger
- 856 locomotives and 17,582 freight wagons (of which 7726 are owned by other companies).
- Also 100,000 containers at its disposal (of which about 23,000 are owned privately).
- Does Not pay usage charges and works across all systems
- Owns freight terminals

Downside

- Yen 14 T burden on Taxpayers was borne by Govt
- Thousands of Jobs lost

Main Features of JNR Transition

- horizontal separation (or regional subdivision);
- passenger-freight separation;
- vertical integration (or operation and infrastructure integration);
- Lump-sum subsidy for low density JRs;
- Establishment of an Intermediary Institution during transfer ;
- Improved performance in many areas, such as financial status, overall service quality, labor productivity, and operating costs, Accident rates .
- Challenges -
 - Financial difficulties among the three islands JRs due to a decrease in fund revenues,
 - lack of competitiveness at JR Freight.

Experience of British Railways

History

- First Railway of World – 1825 Stockton & Darlington Rly .
- 1948 BR - Nationalized -
 - 4 British Railway companies on Regional lines
 - British Transport Hotels
 - Sea-link Ferries and
 - British Rail Engineering Ltd .
 - Travelers Fare- Catering Unit
- Piece Meal Privatisation Under Conservative Govt after 1979 . Hived off-
 - British Transport & Travellers Fare -1982
 - Sea link-1984
 - BREL -1989

Full Throttle

- Migration to EU order 1991- Objective -To segregate Train Operator Management from Rail Infrastructure to Provide Level Playing Field .
- Complete Privatisation – 1994 to 1997
- Railway Act 1993- Regulatory Functions given to Rail Regulator
- Entities-
 - Rail Track- Rail Infrastructure ownership including Tracks, signals and Major station Buildings .
 - ROSCOs- 3 Rolling Stock operating Cos for Engines & Coaches
 - TOC- Train operating Companies for operation of passenger Trains
 - Rail Freight- Two freight operating companies English Welsh & Scottish and Freightliner

Rail Track

- Created 1994 – Infrastructure management
- Closed -2002
- Financial Problems(repairs and Compensation £ 580 M, debt £ 3 B)
- Functions Transferred to State owned Network Rail

Rolling stock Manufacture

- BREL Formed 1969 – Subsidiary of BR
- Products- Diesels , Electric, DMUs, EMUs , Carriages
- Best Known Product - ICE Diesel Multiple Units .
- Factories- 5 locations- Crewe, Derby, Doncaster, Shildon, York
- Transfer to ABB- 1989
- Now a part of Bombardier
- After Privatization – Only one Manufacturing Unit left at Durbey
- Rail Technical Centre – Technical support

Impact of Privatisation – Level of Traffic , Fare

- No of Rail Journeys – 117% increase between 1997 & 2017
- Passenger Km- 100% increase
- Basic Fare- went up @ 1.3% after Privatization (upto 2012) Vs 2.3% before (15 years period)
- Single Fare Journeys- 208%
- Season Ticket- 80%
- Advance Tickets-Reduction in fare (Peak & Non Peak Traffic)
- Time Table- Regulator controlled basic Fare and Time Table
- TOC- can decide no. of trains based on load

Impact- Rolling stock Condition

- TOC can engage any of the three ROSCO
- Limited competition- One Type stock- One ROSCO . Cartel
- Initial Stock Transfer- Old stock very Low cost
- Leasing Equalization- Demand for New Rolling stock increasing competition
- Average age of Rolling stock Going Down

Impact- Safety

- 4 Major crashes in Initial Years-
 - South Hill Rail Crash 1997- ICE Crashed into Freight Train -7 deaths
 - Ladbroke grove Rail Crash 1999- 31 Deaths (two high speed trains collided)
 - Hatfield Railcrash (Derailment) October 2000- 4 deaths
 - Potters Bar Rail Crash- Derailment in 2002- 7 Deaths
- Implications- Closure of Rail Track & Creation of Network Rail
- Safety Records improved. Claimed to be best of late

Impact- Investment & Subsidy

- Investment

1995- £ 700 M

2014- £ 6.8 B (9 50%)

- Subsidy-

1994- £ 1.66 B

2005- £ 4.59 B

2015- £ 3.5B

-Initial Reduction , increase after Hatfield Crash .

- Subsidy £2 per Journey , £3.6/ journey in 1995

Comparison JNR Vs BR

Feature	JNR	BR
Trigger	Internal	EU
Strategy	Vertical Division on regional lines	Functional Division
Revenue Stream	NFR	Traffic Receipts

Comparison

Feature	JNR	BR
Safety Record	Improved	Initial Drop – Major Accidents
Infrastructure	Regional JRs	With Functional unit
Roll Back	Nil	Roll Back in Infrastructure
Subsidy	None	Yes £ 3.56 B
Manufacturing	Inhouse + Exports	Downsized
Competition	Negligible as division region wise BUT	Yes
Yardstick Pricing	Yes –Regulator’s task	Regulator decides Price ceiling as per Public Interest
Public Perception	Positive	60% people favour Nationalicator

Lessons for IR

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WELCOME AGAIN

JAMALPUR



