



Railways to Bid for 16 Stations Through PPP Model

For Prelims: Public-Private Partnership (PPP) model, Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), Build-Operate-Lease-Transfer (BOLT), Design-Build-Operate-Transfer (DBFOT), Lease-Develop-Operate (LDO), Operate-Maintain-Transfer (OMT), Adarsh Station Scheme.

For Mains: Significance of various investment Models of Public-Private Partnership.

Why in News?

Recently, the railway ministry is planning to bid out 16 stations under the [public-private partnership \(PPP\) model](#). These railway stations will be **upgraded to ensure improved basic facilities and accessibility for passengers**.

- This is in addition to the 1253 railway stations that have been identified for development under the **Adarsh Station Scheme**.

What is Public Private Partnership Model?

▪ About:

- It is an **arrangement between the government and private sector** for the provision of public assets and/or public services. Public-private partnerships allow large-scale government projects, such as roads, bridges, or hospitals, to be completed with private funding.
- In this type of partnership, investments are undertaken by the private sector entity, for a specified period of time.
- As PPP **involves full retention of responsibility by the government** for providing the services, **it doesn't amount to privatization**.
- There is a well-defined allocation of risk between the private sector and the public entity.
- The private entity is chosen on the basis of open competitive bidding and receives performance-linked payments.
- PPP route can be an alternative in developing countries where **governments face various constraints on borrowing money for important projects**.
- It can also give required expertise in planning or executing large projects.

▪ Benefits:

- The PPP model can bring **opportunities for investment**, operating efficiency and modern and clean technology.
- PPP railway projects provide for shared use of rail tracks may **lead to efficiency gains and an increased revenue** basis (or reduced cost basis) for states and private investors.
- Further, it could lead to **increased competition and modernization of railway infrastructure**.

▪ Challenges:

- PPP projects have been stuck in issues such as disputes in existing contracts, **non-availability of capital and regulatory hurdles** related to the acquisition of land.
- Indian government has a **poor record in regulating PPPs in practice, as there are**

delays in land acquisition.

- Loans for infrastructure projects are believed to comprise a large share of the **non-performing asset** portfolio of public sector banks in India.
- In many sectors, PPP projects have turned into conduits of crony capitalism.
- Many PPP projects in infrastructure sector are run by “politically connected firms” which have used political connections to win contracts.
- PPP firms use every opportunity for renegotiating contracts by citing reasons like lower revenue or a rise in costs which becomes a norm in India.

What are Types of Public Private Partnership (PPP) Models?

- **Build-Operate-Transfer (BOT):** It is a **conventional PPP model** in which the private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector.
 - The private sector partner has to bring the finance for the project and take the responsibility to construct and maintain it.
 - The public sector will allow private sector partners to collect revenue from the users. The national highway projects contracted out by NHAI under PPP mode is a major example for the BOT model.
- **Build-Own-Operate (BOO):** In this model ownership of the newly built facility will rest with the private party.
 - On mutually agreed terms and conditions the public sector partner agrees to ‘purchase’ the goods and services produced by the project.
- **Build, Own, Operate, Transfer (BOOT):** In this variant of BOT, after the negotiated period of time, the project is transferred to the government or to the private operator.
 - BOOT model is used for the development of highways and ports.
- **Build-Operate-Lease-Transfer (BOLT):** In this approach, the government gives a concession to a private entity to build a facility (and possibly design it as well), own the facility, lease the facility to the public sector and then at the end of the lease period transfer the ownership of the facility to the government.
- **Design-Build-Operate-Transfer (DBFO):** In this model, **entire responsibility** for the design, construction, finance, and operation of the project for the period of concession **lies with the private party.**
- **Lease-Develop-Operate (LDO):** In this type of investment model **either the government or the public sector entity retains ownership** of the newly created infrastructure facility and receives payments in terms of a lease agreement with the private promoter.
 - It is mostly followed in the development of airport facilities.
- **Engineering, Procurement, and Construction (EPC) Model:** Under this model, the cost is completely borne by the government. Government invites bids for engineering knowledge from the private players. Procurement of raw material and construction costs are met by the government. The private sector’s participation is minimal and is limited to the provision of engineering expertise. A difficulty of the model is that financial is the high financial burden for the government.
- **The Hybrid Annuity Model (HAM):** In India, the new HAM is a **mix of BOT-Annuity and EPC models.** As per the design, the government will contribute 40% of the project cost in the first five years through annual payments (annuity). The remaining payment will be made on the basis of the assets created and the performance of the developer.

What is Adarsh Station Scheme?

- **About:** Adarsh station scheme of the Ministry of Railways aims to upgrade the **suburban stations** of India to Adarsh stations. It was introduced in 2009.
 - The selection of railway stations under this scheme is based on the identified need for **up-gradation of amenities.**
- **Key features:**
 - Adarsh stations will be **beautified** and upgraded with **modern facilities** like:
 - Improvement of facade of the **station building.**
 - Duly streamlining **traffic flow**
 - Improvement of **platform** surface
 - Improvement of existing **waiting halls** and **retiring rooms**

- Toilet facilities
 - Provision of **foot over bridges**
 - Provision of **lifts** and **escalators** etc.
- The upgradation process will be monitored by the Indian Government and Indian Railways.

Way Forward

- New projects, especially large-scale transit projects, are significant for increasing mobility and for the series of changes in land use patterns. PPPs have the potential to deliver infrastructure projects better and faster. Currently, PPP contracts focus more on fiscal benefits.
- There is a need for a serious assessment of the efficacy and the likely benefits of increasing private sector participation in rail projects before the adoption of this model.

UPSC Civil Services Examination Previous Year Question (PYQ)

Mains

Q. Examine the development of Airports in India through joint ventures under Public-Private Partnership (PPP) model. What are the challenges faced by the authorities in this regard? **(2017)**

Q. Why is Public Private Partnership (PPP) required in infrastructural projects? Examine the role of PPP model in the redevelopment of Railway Stations in India. **(2022)**

Source: [ET](#)

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