

The General Manager,  
Sri Lanka Railway Headquarters,  
Colombo 10.

Dear Sir,

### **Reinstatement of the Uda Pussellawa Railway**

This is sequel to my earlier letter on the same topic. Since, there are some unclear points about how the private sector could participate in such a project, I would like to explain it in more detail. I fully understand that neither SLR nor the Sri Lankan govt. could fund such large projects through govt. coffers in the face of the current economic crisis. Furthermore, I see that the possibility of reinstating UPR could dwindle as the years pass by for the reasons I mention below.

For the sake of brevity, I will put everything step by step in point form. What follows the general description could be considered an action plan if the SLR and the government would decide to put back the UPR line through private sector investment. Depending on the viability of the proposal you could decide whether you would forward this for the attention of the Minister of Transport who will decide the future of the proposal.

#### **Current state of affairs:**

The railway line was lifted in 1948 but the property is still owned by the SLR.

The more a project for the reinstatement of the UPR is put off, the more would people encroach the land and the more would be the compensation (if any) having to be paid and trouble taken in clearing these unauthorised constructions at a future date.

There is also a stock of narrow gauge engines and carriages withdrawn from service after the <sup>1</sup>KV was fully broad-gauged in 1997.

SLR or the govt. couldn't fund this kind of new ventures when funds are lacking for the maintenance of other high priority lines.

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<sup>1</sup> The Kelani Valley line, which earlier ran from Colombo to Opanayaka on narrow gauge, now runs on dual gauge (though narrow gauge trains seldom run) only up to Avissawella. Track removed beyond.

Suggestion:

Private sector investment:

It is not that the private sector is allowed to operate trains only after the rebuilding of the line is complete. Instead, private sector investment could be sought right from the beginning.

As the first step, the land of UPR could be leased out (not sold) to the entrepreneurs participating in the project.

The rebuilding of the line.

Operational costs (after completion).

Investment on rolling stock.

Government investment:

Providing the legal framework for the private sector to participate in railway constructions.

Intervene in the case of clearing unauthorised structures and providing compensation and alternate property.

Note: The government participation in matters such as this is necessary in order to speed up the matters.

## Costs:

### Government:

Expenditure for getting the legal framework through the legislative assembly (i.e. Act of Parliament or an amendment).

Once it is done, the private sector investment could be sought easily for other future railway projects, thus relieving the government of colossal expenditure in such.

The administrative costs incurred in acquiring the land. If the government decides to hand over this matter also to the investor, then this cost should also go to his account.

Compensation and alternate land. This could later be reimbursed from the investor with a relevant clause entered into the agreement between the government/SLR and the investor.

### Investor:

Line building costs.

Costs of constructing new buildings and bridges and renovating old ones.

The installation of signalling systems.

Staff for construction/operations.

The investor can decide whether he could hire SLR expertise or some individuals from outside for duties. The former option is attractive enough as that might be (at least temporary) a solution to the over-staffing of the SLR. The investor can be given the option of interviewing the SLR employees and selecting whom they think as best for their project. Depending on his choice, he could opt to keep some of the employees for long-term duties once the construction phase is completed.

The cost of renovating the engines and buying new ones and the renovation of carriages.

The long-term costs will be the rental to the CGR (for land rented), running costs, maintenance costs and the other costs involved in running a railway.

## Benefits:

### Government:

The government could earn a lot by selling the old engines and carriages which, as at present, have outlived their usefulness.

In all probability, the investor is likely to buy old engines rather than order some new engines, as the old ones will prove good vintage items in a tourist railway, as tourists will be coming in search of these. Railway enthusiasts flock from all over the world to see all kinds of old locomotives in operation and the railways which own them make a big fortune of it. While browsing the web, I have come across websites of individuals who organize trips in very old narrow gauge railway systems. One such web site is

<http://dialspace.dial.pipex.com/steam/internat.htm>

where a person organizes train journeys, for example, in narrow-gauge trains operating in Burma mines.

The SLR could consistently bank on the revenue earned from rental paid by the investor.

Through this income generated from within the SLR, the govt. could cut off part of the subsidy given by it to the railway annually. As mentioned above, promoting the railway in tourist brochures of the Tourist Board will help increase the number of tourists travelling to Sri Lanka. This might be a trendsetter in further boosting the tourist aspect of the SLR, already shouldered completely by the VICEROY SPECIAL and the two HITACHI sets.

Tax paid by the investor to the government, after the line starts its operation, is another benefit to the government.

### *Other indirect benefits for the government/SLR:*

Depending on the success of the project, private sector investment could be used in other sectors of railway, as there will then be a proven example already.

Increase in the number of people travelling in trains (a very long-term benefit).

Investor:

Revenue from both the local and foreign tourists. There might be a fair number of local tourists who like to travel in trains and explore the country side. As I mentioned in my earlier mail, if the management of the hotels in the vicinity are also willing to participate in the venture, they could diversify the activities offered by their hotels by the inclusion of a regular train ride.

There is also the possibility of providing a limited number of passenger trains specially as connection trains to trains running on the up country line.

Could totally exercise control over the management decisions and train operations though the land on which the railway built is not his own.

*Other indirect benefits for the investor:*

There is a good opportunity for the investor to do well with the project so that he could get more of its kind (local/overseas) in the future with his track record thus improved.

Conditions:

Land, etc. are leased out for a particular period of time, say 50 or 99 years.

The important factor here is that the property is not sold but rented and thus it will still remain the SLR property.

The carriages and engines are sold because the CGR doesn't have any other narrow gauge lines to run them on (at least on a regular basis).

Investor couldn't extract any funds for the project from state banks. This, in order to avoid the bitter experience of borrowers defaulting payment from state institutions, adding up to the troubles of the government.

Clauses regarding the earliest possible date of commencement of train operations.

The investor must be obliged to adhere to this condition as he might otherwise just sell the narrow gauge engines and compartments bought from the SLR and earn quick profit without going ahead with the actual implementation.

Allowing a certain period at the beginning, during which the investor's rental is waived.

This way, he could start the construction work without worrying too much about the payment of rental at the first place. This and other surety activities should be drafted in a proper legal framework through negotiations with the investor.

#### General Notes:

If the government or the SLR finds it difficult to find investors who could raise such a large sum of money as needed to start the project with, then there can be considered another option. It can have discussions with the funding agencies (like ADB) with the investor as another party in these discussions, so that money is lent by the agency for construction. Thereafter, it would be the duty of the investor to pay back the loan to the funding agency and the rental to the SLR (for land leased).

For your information, given below is an address of a website which contains information about India's newest railway line, the Konkan Railway. I see a definite possibility for the SLR to follow the paths shown by regional countries in developing the railway systems in Sri Lanka, getting any help from them whenever needed.

<http://www.goodnewsindia.com/Pages/content/milestones/konkanRail.html>

By analysing the action plan that follows in the form of an annex, one could see that the cost having to be borne by the government/SLR dwindles steadily as the project progresses through various phases. The initial costs incurred to the government/SLR are almost negligible considering the revenue that is to flow in the later stages of the project. Again, when considering the prospect of revenue generation, it appears that it is a kind of waste to have some railway property idling when a project of this kind could be started with it.

## The Action Plan

### Phase 1 – Gaining approval for the go-ahead by CGR and Govt.

#### Time:

Time spent for discussions between govt. and CGR officials.

Time for feasibility investigation.

Time to find parties interested in the project.

#### Participants:

SLR top officials

Transport Minister, State Minister for Transport

Minister of Housing (and Urban Development)

Minister for Central Region Development (optional)

Minster of Tourism (optional)

Parties interested in promoting project (hotels, etc.)

Officials in Housing Ministry (to create an awareness about matters of demolition of unauthorised constructions which will have to be carried out).

#### Costs:

Cost for meetings.

Additional expenditure if seminars, etc. held.

Cost for any trips to see the location.

Cost for clerical work.

Cost for feasibility study.

Cost for finding parties interested in promoting project.

The method may be paper advertisement, etc.

## Phase 2 – Providing the legal framework

### Time:

Time spent in getting an Act of Parliament through it.

### Participants:

Legal experts (if needed from outside the Attorney General's Department which generally deals with such matters as this) .

Minister of Transport and the cabinet.

The General Manager Railways.

Some experts on Railways –local/foreign (optional).

The staff in certain embassies in the case of foreign experts participating (optional).

### Costs:

Fee for lawyers (optional).

Cost for drafting/documenting.

Payment for experts for consultation.

Cost involved in travelling (in the case of foreign experts-optional).

Cost for finding expertise through diplomatic missions (in the case of foreign experts-optional).



### Phase 3 – Seek investors through advertising

#### Time:

Time taken to devise method of advertising.

Waiting time for responses to advertisement/s.

#### Participants:

Railway staff.

People doing the advertising.

May include webmasters of sites wherein the advertisement is put.

Staff of embassies through which also advertising could be done.

#### Costs:

Cost for procuring the advertisement.

Additional cost in promoting the advertisement (through embassies, etc.)

### Phase 4 – Select the most suitable investor and negotiate on the future action plan

#### Time:

Time spent for selecting the best investor (through tender process, interviewing, etc.).

Time for preparing future action plan.

#### Participants:

The General Manager Railways and some high officials.

Minister of Transport.

The probable investors.

Minister of Housing.

Costs:

Cost incurred in the selection process.

Cost for drafting future action plan.

Cost for meetings between the investor and SLR officials.

Items on the future action plan:

Acquiring property:

Deciding which property encroached on by people.

Acquiring additional property required (if any).

Paying compensation to those in need of such.  
This could be done in such a way that the compensation paid could be reimbursed from the investor.

Finding alternative land for the others.

Terms of Agreement:

Period of lease of property.

Earliest date possible for train operating.

No loans from state banks.

Period during which rental (investor's) waived.

Clauses for reimbursing the compensation paid for people whose property demolished.

Phase 5 – Signing the agreement, selling rolling stock, clearing unauthorised constructions and selecting staff for project

Time:

Time for preparing documents for agreement.

Time taken for clearing unauthorised constructions.

Time for interviews for staff.

Participants:

The Minister of Transport (on behalf of the govt.).

SLR General Manager.

The Minister of Housing (and Urban Development).

Staff of the Ministry of Housing.

Railway technical staff.

Legal experts to adjudicate on matters of agreement (if needed from outside the Attorney General's Department) .

Costs:

Cost for agreement documents.

Revenue for the government (by selling engines, compartments).

Compensation for land reclaimed and cost for alternate land (the govt./SLR could use part of the money obtained from above for these purposes and/or later reimburse these costs from the investor).

Administrative work involved in paying compensation, etc.

Time for interviewing technical staff (borne by the investor).

Legal experts (optional) – cost borne by the investor.

#### Phase 6 – Implementation

##### Time:

As agreed in the agreement with SLR.

##### Participants:

Investor.

Technical staff.

##### Costs:

Cost for lines laid.

New bridges (if any) and renovating existing.

New buildings and upgrading existing.

Construction targeting tourists (special platforms, etc.).

Cost of signalling.

Note: all costs borne by the investor at this stage.

#### Phase 7 – Start and continuation of operations

##### Time:

Not relevant.

##### Participants:

Investor.

Railway staff (both operational and technical).

#### Minister of Tourism

To discuss what features that the railway could offer to visiting diplomats to the country. It is interesting here to note that the first ever train to run in Ceylon carried the Duke of Brabant of Belgium from Veyangoda to Ambepussa.

#### Costs:

Maintenance of the line, buildings and all other costs of running a railway.

Revenue from tourists (to investor) and tax paid to government (earning to government).

Revenue to the government through increased tourist arrival.

Rental to SLR (again earning for SLR/government).

Note: if the project completion gets delayed, then the investor has the onus of paying a rental without actually earning a revenue.

Revenue from passengers and goods (if the investor decides to run a limited number of passenger/goods trains).

Advertising railway in tourist brochures (cost to the investor).

#### Phase 8 – Future modifications and plans

##### Time:

To be decided on later.

##### Participants:

SLR General Manager.

Investor.

Staff of railway (technical and operational).

Costs:

Cost for modifications (for e.g. extensions, special facilities for tourists).

Thanking You,

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