



Rationalisation of Railway Fares

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Why in News

The **Parliamentary Standing Committee** on Railways has suggested **rationalisation of both freight and passenger fares.**

Key Points

- **Committee's Observation:**
 - **Social Service Obligations:**
 - The **losses incurred by the railways in passenger services purportedly due to the social service obligations** which include pricing tickets at fares lower than costs and passenger concessions.
 - The railways incur losses to the tune of **Rs. 35,000-38,000 crore a year** in the passenger segment.
 - **Effect of Covid:**

Revenues from passenger services further deteriorated due to suspension of operations during **Covid-19.**
 - **Operating Ratio:**
 - Noted the regular deterioration in Railways **Operating Ratio (OR).**
 - **OR** indicates how much the Railways spend to earn a rupee. It helps determine the financial health of the Railways.
 - For example, an operating ratio of **98.36% for 2019-20**, indicates that to earn Rs. 100, the Railways will have to spend Rs. 98.36.
 - For **2020-21**, it is estimated to be **131.4%**.
 - For **2021-22**, Railways is targeting OR of **96.15%**.

- **Challenges in the Functioning of Railways:**
 - Indian Railways' ills are as multifarious as they are well-known: **bureaucratic, obese structure** with a **misconceived perception of public-service-obligation, warped investment priorities, capacity crunch on arterial routes**, strained terminals, **irrational fare & freight structures**.
 - It has **one of the highest rail freight charges in the world**. This has also **resulted in consumers moving to roadways** for freight transportation, which is more convenient for them.
 - The predicament of the railways is that the **profits earned from freight business are utilised to compensate for the losses incurred on passenger and other coaching services**, thereby adversely affecting both freight and passenger business.
- **Committee's Suggestions:**
 - **Revisiting social service obligations** and resuming services suspended during covid.
 - **Adjust Passengers Fares:**
 - Undertake “**prudent adjustment**” of passenger fares **to reduce the burden on freight segments**.
 - **Make Fares Demand-cum-Market Driven:**
 - Both passenger fares and freight rates have to be **demand-cum-market driven** and fixed differently for different segments.
 - **Retain Customers:**
 - As the demand for transport is elastic in a competitive market the Railways should be mindful of the fact that **any increase in fares should be confined to a certain limit depending upon the competition from other transport modes**.
 - The operational efficiencies of the railways in both freight and passenger business have to be leveraged to a greater extent so as to **retain the customer base and enhance revenues**.
 - **Strengthen Planning and Management:**
 - The railways should **strengthen their planning, management and monetary mechanisms** to earn substantial non-fare revenues through various methods/sources, already intended and put in place.
 - For example:** Dividends from its public sector undertakings, land lease, parking, sale of scrap, advertisements and publicity etc.
 - Railway **finances should be managed prudently** so that the **OR may reach at acceptable level** in the near future.

Recent Steps

- **Draft National Rail Plan:**

In December 2020 in an endeavour to address the inadequacies of capacity constraints and improve its modal share in the total freight ecosystem of the country, Indian Railways has come up with a Draft National Rail Plan.

- **Dedicated Freight Corridors:**

It is a **high speed and high capacity railway corridor** that is exclusively meant for the transportation of freight, or in other words, goods and commodities.

- **Introduction of Policy for Private Passenger Trains Operations:**

In July 2020, Indian Railways initiated the process to allow **private firms to operate passenger trains on its network through 151 new trains.**

- **Adarsh Station Scheme:**

It aims to upgrade the suburban stations of India to **Adarsh stations.**

- **Restructuring of the Railway Board and Merger of Different Railway Officer Cadres:**

In 2019-20, the government **approved the restructuring of the Indian Railways,** including a reduction in the Board strength as well as the merger of the different cadres into a central service called the **Indian Railway Management Service (IRMS).**

Way Forward

- Subsidising the daily or frequent user can be done in the form of a **direct-to-bank account**, as is done in the case of several other government schemes. This will ensure the passengers pay a full price and **the government's subsidy burden is reduced to only those classes who need it the most.**
- As the country's growing transport market changes in character, the **key demands would be an integrated multi-modal 'whole journey' service.** Railways' passenger business strategy needs to aggressively target inter-city travel segments as its core business currently served by some 4,000 trains daily, addressing the acute shortage in supply of such services, substantially upgrading and accelerating them with modern pre-board and on-board services.

Source:TH