Budget 2017 - Railways

Highlights:

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1. The creation of **Rashtriya Rail Sanraksha Kosh** for five years — Rs 20,000 crore per year — is for critical safety upgrades.
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2. A 22% rise in the Railways Budget was announced.
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3. The service charge on rail tickets booked through IRCTC will be withdrawn.
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4. A new metro rail policy will be announced. This is expected to open up new jobs for the youth.
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5. Five hundred railway stations would be made **differently-abled friendly** by providing lifts and escalators.
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6. By 2019, all coaches of the Indian Railways will be fitted with **bio-toilets.**
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7. **Unmanned railway level crossings to be eliminated by 2020.**
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8. Railways will integrate end to end transport solutions for selected commodities through partnerships.
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9. A single window interface, named ‘Coach Mitra’, would be set up to register all coach related complaints and requirements.
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What are the other takeaways?

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- The size of its total business, as per its own projections, will be around Rs 1.89 lakh crore, a 10 per cent jump from this year’s Rs 1.72 lakh crore. It will commission 3,500 km of railway tracks — the highest ever — with a capital expenditure of Rs 1.31 lakh crore.
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- It is the passenger business which Railways expects will see an even more lukewarm growth — if not a negative growth — a mere 4.4 per cent jump from this year's revised estimates of Rs 48,000 crore.
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- Figures indicate that **Railways continues to lose passengers** and it does not really expect the trend to reverse anytime soon. A fare hike is likely next fiscal, said sources.
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- Railways has indicated that next fiscal, it will carry only 0.2 per cent more passengers than this year while its earnings from the passenger segment will increase by 4.4 per cent.
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- By 2017, the **Rail Development Authority** will be in place. Railways hopes the authority proposes a hike, a potentially unpopular, even if necessary, step.
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- In freight, Railways has projected a modest 6.5 per cent growth, carrying an estimated 1,165 million tonnes of goods in 2017-18.
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- The Railways will start modernisation for 25 stations on a self-sustaining basis in 2017-18. This may be much less than the original 400 stations slated for upgrades, as the Railways realised that not all stations can be modernised on a self-sustainable basis.
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What will be the key concerns?

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- Railways may have managed to get highest ever Gross Budgetary Support of Rs 55,000 crore (Rs 22,000 crore is to be raised through public-private participation) from the Finance Ministry to take care of capital expenditure and safety upgrade works, but its finances vis-à-vis business for next year continue to be a matter of concern.
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- After struggling to meet its own targets in earnings all-year round, **Railways expects to end the year with a Rs 12,000 crore shortfall in earnings.**
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- As a result, its projections for business next year is modest. This is reflected in the ***'Operating Ratio (OR)'*** – a key indicator of the financial health of the transporter. 94.5% OR has been projected for next year which means – the earnings to remain subdued while at the same time its expenditure will

escalate.
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- Its ordinary working expenses will see a jump of 5 per cent to reach Rs 1.29 lakh crore, while including other expenses, its total expenditure will reach Rs 1.8 lakh crore.
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- However, in the expenditure projections, Railways has not included an inevitable component of around Rs 8500 crore that will go towards the allowances of the **7th Pay Commission.** Once that kicks in, all semblance of surplus, and as a result a positive Operating Ratio will more or less wipe out.
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What happened to the 3 PSUs?

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- The Railways Ministry was reportedly caught unawares by the government's announcement that **three of its public sector units (PSUs) would be listed in the stock market.**
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- The 3 PSUs are — IRCON (Indian Railway Construction Company Limited), Indian Railway Finance Corporation, and Indian Railway Catering and Tourism Corporation.
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- Sources said the announcement came barely two days after the issue was first discussed at a meeting on Monday. With no indication that the future of its PSUs was up for discussion, the ministry did not send any Railway Board member for the meeting.
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- The Railways officials were only asked if the ministry had any objection to the listing of some of its PSUs **for better fund infusion and market competitiveness.** The need to energise the PSUs and bring them out of their "comfort zone" was discussed.
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- IRCON, among other things, it also does construction work in areas considered **strategically sensitive.** There is concern over sharing such information with equity investors.
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Conclusion:

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The Finance Minister said that they would try to improve the operating ratio of the Railways, while adding that the “tariffs would be fixed, taking into consideration costs, quality of service, social obligations and competition from other forms of transport.” To improve the operating ratio, **the Railway Convention Committee (RCC)** has come to the rescue by waiving the dividend of Rs 10,000 crore for the present fiscal. The Railways will not have to pay dividends next year as well.

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Source: The Indian Express, The Hindu & TOI

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