Budget 2017 - Railways Part II

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How the new rail budget differed?

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- Presenting the proposals for the railways within the ambit of the general Budget, the finance minister **refrained from announcing any populist measures.**
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- The FM also accepted that the railways were facing stiff competition from other modes of transportation and required transformative measures.
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Why Indian Railway can't perform?

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- Indian Railways failed to provide quality and timely service to passengers, has a poor record on safety and faces increasingly worsening finances.
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- It can't perform better because **it doesn't invest and it can't invest because it doesn't raise tariffs,** especially for passengers.
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- It was imperative to change the situation because the top 1% of the highest paying customers account for 30% of all railway revenues.
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- The railways cannot afford to lose these clients to airlines.
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- **India has one of the lowest passenger fares in the world** — the ratio of average passenger fare to the freight rate for India is 0.3 as compared to 1.2 in China and 1.3 in France.
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- Moreover, deceleration in earnings growth in both passenger and freight fares has meant that the operating ratio – has deteriorated from 90.5 per

cent in 2015-16 to 94.9 per cent in 2016-17.
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What are the measures that are announced?

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- In his Budget, the FM has tried to target each of these weaknesses, starting with finances and tariffs.
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- Tariffs would be fixed after taking into consideration costs, quality of service, social obligations and competition from other forms of transport.
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- **An independent Rail Tariff Authority** is expected to be in place in a few months.
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- Another significant change is the announcement of a **Rashtriya Rail Sanraksha Kosh** with a corpus of Rs 1 lakh crore.
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- This was one of the crucial and long-pending recommendations of **the Anil Kakodkar-led high-level safety review committee in 2012.** The fund will be used to improve safety preparedness and maintenance practices.
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- The other key directional shift is to nudge the railways to **engage with the private sector,** especially for finances.
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- Therefore the FM announced that three profit-making public sector undertakings under the railways would be listed on the stock exchange during the coming financial year.
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- Also **a new Metro Rail Act** would be brought in to facilitate greater private participation and investment in construction and operation.
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- But it should also beclear that the private sector will not commit unless the railways demonstrate their ability to improve functioning.
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- This, in turn, will test not only the government’s promise to allow fare increases but also the railways’ capability to become more efficient.
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Source: Business Standard

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