Fare Hike in Delhi Metro

What is the issue?

\n\n

\n
- A steep 100% fare hike was implemented by the DMRC within a span of five months.
\n
- This ignores the fact that affordability is at the heart of all successful mass transit systems globally.
\n

\n\n

Why was fair hiked?

\n\n

\n
- The DMRC has justified the hike citing loan repayments, mounting operational expenses and financial sustainablity.
\n
- Other Indian cities like Kochi and Chennai too have comparable fares to DMRC – which makes them too a costly affair.
\n
- This implies that despite India’s commendable technical capacity to build and run metro systems their pricing policies are rudimentary.
\n
- Costs are narrowly focused on financial sustainability disregarding affordability for the masses.
\n
- The larger spillover benefits to the society due to affordable ‘mass transit systems’ are thereby mostly left unaccounbted.
\n

\n\n

What is the affordability argument?

\n\n

\n

- Pricing of urban mass transit systems has been a difficult challenge globally.
\n
- It needs a careful balance between financial sustainability and affordability, especially for the lower income populations.
\n
- These people usually stay in outermost pockets of the city and tend to travel the longest distances.
\n
- Affordability of public transit is globally measured as percentage of income that is spent on transit.
\n
- The following table on 'Affordability Index' of mass-transit systems across top global cities is an eye opener.
\n

\n\n

GLOBAL COMPARISON OF AFFORDABILITY OF MASS TRANSIT SYSTEMS

	Minimum Daily Wage in Local Currency	Highest Round Trip Fare	Affordability Index: *% of Daily Wage Spent on Mass Transit*
Paris	€84	€3.8	4.50%
New York City	$88.00	$5.50	6.30%
Beijing	¥168	¥12	7.10%
Singapore	$48.00	$5.00	10.50%
Tokyo	¥7,664	¥620	8.10%
Delhi*	₹513	₹108	21.10%

**Fare for Delhi assumes 10% Smart Card discount*

\n\n

\n
- Clearly, Delhi - which by far has the highest poverty rate among the cities in comparison, has a strikingly high metro fare structure.
\n
- Delhi metro's fare structure also ignores other equity concerns by not providing any targeted concessions to children, students, or senior citizens which is a norm elsewhere.
\n

\n\n

Is the estimate accurate?

\n\n

\n

- The estimated ‘Affordability Index’ for Delhi is at best a conservative figure and can be even worse in actuality.
  \n
- This is because the table has assumed that the minimum wage, fixed by the Delhi government is a ground reality which usually isn’t.
  \n
- Also, the roundtrip fare on public transit is a lower estimate of the daily expense since it hasn’t accounted further transport for lastmile connectivity (through buses, autos etc…).
  \n
- As Delhi metro’s last mile connectivity is considerably poor, this could eat-up almost 40% of a wages earned by casual labourers.
  \n

\n\n

What are the dominating trends in pricing policy research?

\n\n

\n

- A paper in the ‘American Economic Review’ on mass transit pricing models for 20 US cities was published recently.
  \n
- It factored in the welfare effects of reduced congestion, pollution, accidents in fares.
  \n
- The results supported the efficiency of large fare subsidies stareing at upto 50% of operating costs.
  \n
- In another study, that examined transit fares in London, subsidies were found to be the most effective way to usher in equity and re-distribute income.
  \n

\n\n

What could be the larger economic benefits?

\n\n

\n

- Arguements against transit subsidies often ignore the multiplier effect that an efficient and affordable mass transit system can have on the economy.
  \n
- In Delhi itself, in the last two years, the GDP (State) has risen by 13% annually with a concurrent surge in tax collections.
  \n

- While multiple factors enable this, the contribution of the Delhi metro in supporting high economic growth is far from negligible.
\n

\n\n

What could be the strategy ahead?

\n\n

\n
- Like many western metros, the Delhi government and the Centre could jointly consider subsidising the costs of DMRC.
\n
- While financial obligations are worked out, care should be taken to retain the operational autonomy of DMRC.
\n
- DMRC should also work for generating substantially more revenues from its non-fare collections (property rentals, advertisements etc).
\n
- While such revenues for DMRC stands at 19% currently, Hong Kong metro generates as much as 37% from non-far revenue.
\n

\n\n

What are the hopes?

\n\n

\n
- Delhi metro has been a model for all Indian cities.
\n
- It also remains the city's best bet to fight worsening air pollution, congestion, and the declining modal share of public transit.
\n
- It now has to make the curtail decision on whether to prioritise financial self-sustainability over enjoying an increased ridership.
\n
- Its choices will indeed impact on the lives of millions people and the economic trajectory of the national capital in a big way.
\n

\n\n

\n\n

Source: Indian Express

\n

