

Getting Railways on Track Financially

Why in news?

The government raised the budgetary allocations for the Railways providing scope for the Railways to show some promise of a future revival.

What are the concerns plaguing the Railways?

Indian Railways is the fourth largest rail network in the world with an operating route length of more than 65,000km.

- **Passenger fares-** The working of Indian Railways is caught up between making it a self-sufficient organisation and serving it as a transport system for the poor.
- The passenger fares usually remain static for years, burdening the Union Budget.
- The discrepancy between freight charges and passenger fares seem to distort the Railways' performance.
- **Operating ratio-** Indian Railways' operating ratio has been pegged at 96.98% for 2022-23.
- The operating ratio implies that out of Rs 100 earned, the Railways spends close to Rs 97 for running the business.
- However, according to the CAG, the actual operating ratio for the year 2019-20 stands at 114.35 % if the actual expenditure on pension payments is considered.
- **Decision making-** Indian railways have powerful workers' unions that are centralised with hierarchical decision-making.
- As a result, even simple decisions take years to resolve.
- **Finances and accounting-** Indian Railways spends heavily on revenue expenditure and there is little left for capital expenditure.
- **General inefficiencies-** In the previous years, it has missed most of its targets, including of electrification, track renewals, bridge works, and doubling of tracks.
- **Stranded projects-** Some projects remain stuck, including works related to doubling, new lines, gauge conversion, traffic facilities, and electrification.

What is the budgetary allocation for railways?

- Budget 2022 has allocated Rs 1,40,367.13 crore to the Indian Railways for 2022-23, which is 27.5 % higher than in 2021-22.
- Railways is one of the vital and critical sectors of the PM Gati Shakti Project.
- While a massive increase in capital expenditure (capex) is welcome, there was no stated plan or strategy to make the Railways financially sustainable.
- Over the years, the Railways has focused on increasing the number of trains on its fleet rather than expanding the tracks and routes.
- This policy has been ineffective and unviable as a result of increasing traffic congestion, delays and sub-optimal traffic management.

What is the remedy?

- Without adequate and smooth revenue generation, modern rail infrastructure and amenities cannot be provided and viable.
- **Revision of fares-** Passenger and freight fares have remained stable since the Railways' December 2019 revision which had increased the passenger fares by up to 4 paise per km.
- The retail price across the board has been rising and the Railways must keep pace with them.
- Optimisation is needed in the Suburban and intercity local railways pricing.
- A rail fare commission may be established, which can set the fares based on demand and cost conditions.
- **Off-Budget borrowing-** The government may go for off-Budget borrowing but this may raise fiscal deficit concerns and inflationary tendencies.
- Budget borrowings may not be a significant source of investments as the government's total debt has already reached 90% of GDP.
- **Freight movement-** The rail carrier's share in freight movement which has steadily declined over the years must be boosted.
- **Self-reliance-** The Railways needs to stand on its own feet by becoming financially independent.
- It should make enough profit to enable it to spend on infrastructure upgradation and modernisation.
- **Role of States-** Local bodies and State governments may be made to cover the cost of subsidies for suburban traffic if it cannot be recovered from the fare basket.
- **Tourist-based trains-** The Railways has to introduce more tourist-based trains and charge a good premium for this.
- **Upgradations-** The Railways needs to implement pre-paid card-based ticketing in order to minimise ticketless travelling and to increase the revenues.
- **Non-fare sources of revenue-** Revenues can be raised through non-fare sources such as advertisement and publicity, e-auction, monetisation of assets, parking fee, sale of scrap, and allowing branded business shops inside trains.

References

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2. <https://www.businesstoday.in/latest/policy/story/5-big-challenges-indian-railways-faces-145335-2016-09-15>