Metro rail policy - A game changer

What is the issue?

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- Union government announced a new Metro Rail Policy in August 2017. Click here to know more
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- It is seen as a significant stand taken on PPP, technology, urban mobility.
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What are the issues in metro rail projects?

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- A metro system is a complex system, areas like fare collection, station management, maintenance, security and maximisation of non-operational revenues like real estate and advertising are tedious for the government.
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- Metro rail is as expensive as the bullet train,the bullet train costs Rs 217 crore per km.
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- For instance, Phase 3 of Delhi Metro cost around Rs 221 crore/km for the overground stretch and Rs 552 crore/km for the underground stretch.
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- With few exceptions, most metro development has been sponsored by the Union government and state governments often backed by supportive bilateral or multilateral development finance.
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- With the increased pace of metro construction, continued public funding will be difficult to sustain, running them departmentally, like PSUs, may not be desirable.
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Why metro rail policy is a game changer?

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- **Private Partnership -** The policy explicitly recognises the need to have the private sector involved so as to tap private resources, expertise and entrepreneurship.
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- Therefore, allowing for the private sector in a proactive manner brings in vision, energy, technology and funding.
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- **Urban transit -**The policy recognises that the term “metro rail” is a catch-all, which in spirit seeks to capture the full spectrum of modern urban transport systems.
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- The policy thus encompasses all forms stretching from BRTS (Bus Rapid Transit System) to tramways, light rail, metro rail and regional rail.
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- **Alternative transportation -** The policy comes out best where it mandates an “alternative analysis” requiring a professional evaluation of the most suitable type of sustainable solution.
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- This will see the over-emphasis on “metros” replaced with spiffier options like electric trolley buses and tramways.
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- **Last mile connectivity -**The need for a comprehensive mobility solution is enshrined in the policy by its requirement of a Unified Metropolitan Transport Authority before a fresh scheme is cleared.
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- **Tariff fixation -**The policy postulates an economic rate of return as distinct from a financial internal rate of return.
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- The policy clearly recognises the need to keep populism at bay and insists on the setting up of a Permanent Fare Fixation Authority.
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- **Financial participation -**The policy pushes the sponsor to look at creative ways of project financing through adoption of innovative mechanisms like value capture financing.
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- The Central government has extended a participatory handshake to states.
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- These include PPP with central assistance under the Viability Gap Funding scheme of the ministry of finance, grant by the government of India
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Way forward

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- Multiple agency control, and diffused attention is not conducive to the provision and growth of urban transport along a sustainable path.
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- Rectification of this weakness has become all the more urgent in view of the huge investments projected to be made in this sector.
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- Thus massive migration expected from the rural hinterland to India’s towns and cities can only be sustained by relevant urban mass transport, quickly rolled out.
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Source: Business standard

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