Overhauling the railways

Why in news?

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The Union Cabinet gave its nod last week for the setting up of the Rail Development Authority (RDA).

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What is RDA?

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- It will function as the regulator for Indian Railways.
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- It will be required to give its recommendations to the government across many policy decisions, especially in fixing tariffs.
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What is the need?

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- The railways have been struggling on almost all counts.
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- **Passengers -** Though the fares have not been hiked much, the quality of service has remained inferior.
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- **Freight -** The cross-subsidisation of passenger fares with higher freight has undermined the railways' finances and it became less attractive as a transporter of goods.
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- The railways compare unfavourably with airlines for long-distance passenger travel and with road transport for shorter journeys.
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- The central problem has been the lack of political will to take hard decisions like timely and targeted tariff revisions.
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- This called for a dire need of an independent body that could work based on commercial principles.
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- In 2014 National Transport Development Policy Committee (NTDPC) noted that the centralisation of all functions in the Railway Board has proved detrimental to its growth.
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- So to reverse the trend of declining rates of growth in railway freight revenues and volumes, it recommended an Independent Body.
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What was the delay?

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- The desirability of such an authority was first outlined in 2001.
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- But the government could not secure legislative backing for the regulator.
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- Eventually now, it has been set up by an executive action.
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What should be done?

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- RDA’s recommendations on tariff and fares are not binding on the railways.
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- This will retain the freedom of railways to set the fares it wants to charge and allow the railways to strike a balance between having expert guidance on technical issues.
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- The real reform in the railways will happen when the regulator creates a competitive environment among the different zones, and allows them and private players to run trains at a cost-plus formula.
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Source: Business Standard

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