Rail Development Authority

Why in news?

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The recently approved rail regulator, the Rail Development Authority (RDA), is expected to rid the Railways of political influence in pricing fares, and improving accountability.

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Background:

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- Beginning with the **Rakesh Mohan Committee 2001**, a huge clamour ensued for an independent statutory body to help free IR's tariff regime from politicians' whims.
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- In fact, the Railway Board in its resolution proposed the setting up of an interim **Rail Tariff Authority** pending an amendment in the Railways Act.
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- Meanwhile there arose a demand that, for sustained and large-scale private sector participation in the railways, it was essential to rid it of a **clear conflict of interest inherent in it being policymaker, regulator and operator.**
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- In his Railway budget speech for 2015-16, Minister Suresh Prabhu pleaded for "a regulation mechanism independent of the service provider" for "orderly development of infrastructure services, enabling competition and protection of customer interests".
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- Instead of "only a tariff regulator" in tune with the recommendation of the **National Transport Development Policy Committee 2014,** also reiterated by the **Bibek Debroy panel 2015,** he drew up a blueprint for the expanded mechanism.
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What can be expected?

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- The RDA will help IR to take decisions on pricing of services commensurate with costs, protect consumer interests, suggest measures for enhancement of non-fare revenues, promote competition.
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- It will create a positive environment for investment, promote efficient resource allocation, besides suggesting measures for absorption of new technologies.
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- Besides fixing fares and freight charges, the authority, an **independent and quasi-judicial body**, would thus be responsible for ensuring quality of service.
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- It also encourage market development, protecting the interests of consumers, providing non-discriminatory open access to infrastructure, and benchmark service levels to ensure quality and reliability of service.
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- Set up as an independent body to be formed through an executive order of the Government and be subsequently strengthened by legislation, the RDA with an initial corpus of Rs 50 crore will have a five-year term and will be empowered to engage experts.
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- The RDA’s recommendatory role with regard to tariffs has elicited apprehensions that political considerations may still prevail over attempts to rationalise rail tariffs.
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- Although its role is only advisory, the process is expected to **free the railways from politicisation of its businesses.**
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Members of the authority:

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- The Centre will appoint **the chairman and three members** from a panel of names recommended by a search and selection committee chaired by the cabinet secretary.
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- Other members being the chairman of the railway board, secretary in the

department of personnel and training, and the chairman of another central regulatory body nominated by the cabinet secretary.
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What is the way ahead?

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- Although the RDA's role in fixing tariffs will be advisory in nature, its orders with respect to performance standards and penalties will be mandatory.
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- Its observations regarding policies for private investment should help ensure reasonable safeguards to PPP investors and resolve disputes over concession agreements.
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- Prima facie, the new regulatory institution as envisaged must flag the imperative need for the Government to ensure that the authority eschews any temptation of an over-reach and does not become another power centre inimical to optimal performance and development of the railways.
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Source: Business Line

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