

Fare Hike in Delhi Metro

What is the issue?

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- A steep 100% fare hike was implemented by the DMRC within a span of five months.

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- This ignores the fact that affordability is at the heart of all successful mass transit systems globally.

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Why was fair hiked?

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- The DMRC has justified the hike citing loan repayments, mounting operational expenses and financial sustainability.

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- Other Indian cities like Kochi and Chennai too have comparable fares to DMRC - which makes them too a costly affair.

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- This implies that despite India's commendable technical capacity to build and run metro systems their pricing policies are rudimentary.

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- Costs are narrowly focused on financial sustainability disregarding affordability for the masses.

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- The larger spillover benefits to the society due to affordable 'mass transit systems' are thereby mostly left unaccounted.

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What is the affordability argument?

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- Pricing of urban mass transit systems has been a difficult challenge globally.
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- It needs a careful balance between financial sustainability and affordability, especially for the lower income populations.
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- These people usually stay in outermost pockets of the city and tend to travel the longest distances.
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- Affordability of public transit is globally measured as percentage of income that is spent on transit.
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- The following table on 'Affordability Index' of mass-transit systems across top global cities is an eye opener.
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- Clearly, Delhi - which by far has the highest poverty rate among the cities in comparison, has a strikingly high metro fare structure.
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- 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.
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Is the estimate accurate?

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- The estimated 'Affordability Index' for Delhi is at best a conservative figure and can be even worse in actuality.
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- This is because the table has assumed that the minimum wage, fixed by the Delhi government is a ground reality which usually isn't.
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- 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...).
- As Delhi metro's last mile connectivity is considerably poor, this could eat-up

almost 40% of a wages earned by casual labourers.

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What are the dominating trends in pricing policy research?

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- A paper in the 'American Economic Review' on mass transit pricing models for 20 US cities was published recently.

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- It factored in the welfare effects of reduced congestion, pollution, accidents in fares.

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- The results supported the efficiency of large fare subsidies staring at upto 50% of operating costs.

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- 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.

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What could be the larger economic benefits?

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- Arguements against transit subsidies often ignore the multiplier effect that an efficient and affordable mass transit system can have on the economy.

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- In Delhi itself, in the last two years, the GDP (State) has risen by 13% annually with a concurrent surge in tax collections.

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

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What could be the strategy ahead?

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- Like many western metros, the Delhi government and the Centre could

jointly consider subsidising the costs of DMRC.

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- While financial obligations are worked out, care should be taken to retain the operational autonomy of DMRC.

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- DMRC should also work for generating substantially more revenues from its non-fare collections (property rentals, advertisements etc).

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- While such revenues for DMRC stands at 19% currently, Hong Kong metro generates as much as 37% from non-far revenue.

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What are the hopes?

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- Delhi metro has been a model for all Indian cities.

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- It also remains the city's best bet to fight worsening air pollution, congestion, and the declining modal share of public transit.

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- It now has to make the curtail decision on whether to prioritise financial self-sustainability over enjoying an increased ridership.

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- Its choices will indeed impact on the lives of millions people and the economic trajectory of the national capital in a big way.

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Source: Indian Express

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