SHANKAR IAS PARLIAMENT
Information is Empowering

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

1. https://www.thehindubusinessline.com/opinion/making-railways-financially-sustainable/article6527369ece
2. https://www.businesstoday.in/latest/policy/story/5-big-challenges-indian-railways-faces-145335-2016-09-15